

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.

Transition to a Company with an Audit & Supervisory Committee

During the effectiveness evaluation of the Board of Directors, the composition of the Board from a medium- to long-term perspective was identified as an area of concern. In response, we began reviewing the company's organizational structure in 2022 and then transitioned to a company with an Audit & Supervisory Committee in June 2024. This transition has enabled us to delegate authority to executive directors for important business operations, thereby accelerating and streamlining the decision-making. Additionally, with the Audit & Supervisory Committee members having voting rights, we aim to strengthen the supervisory function. This enhanced

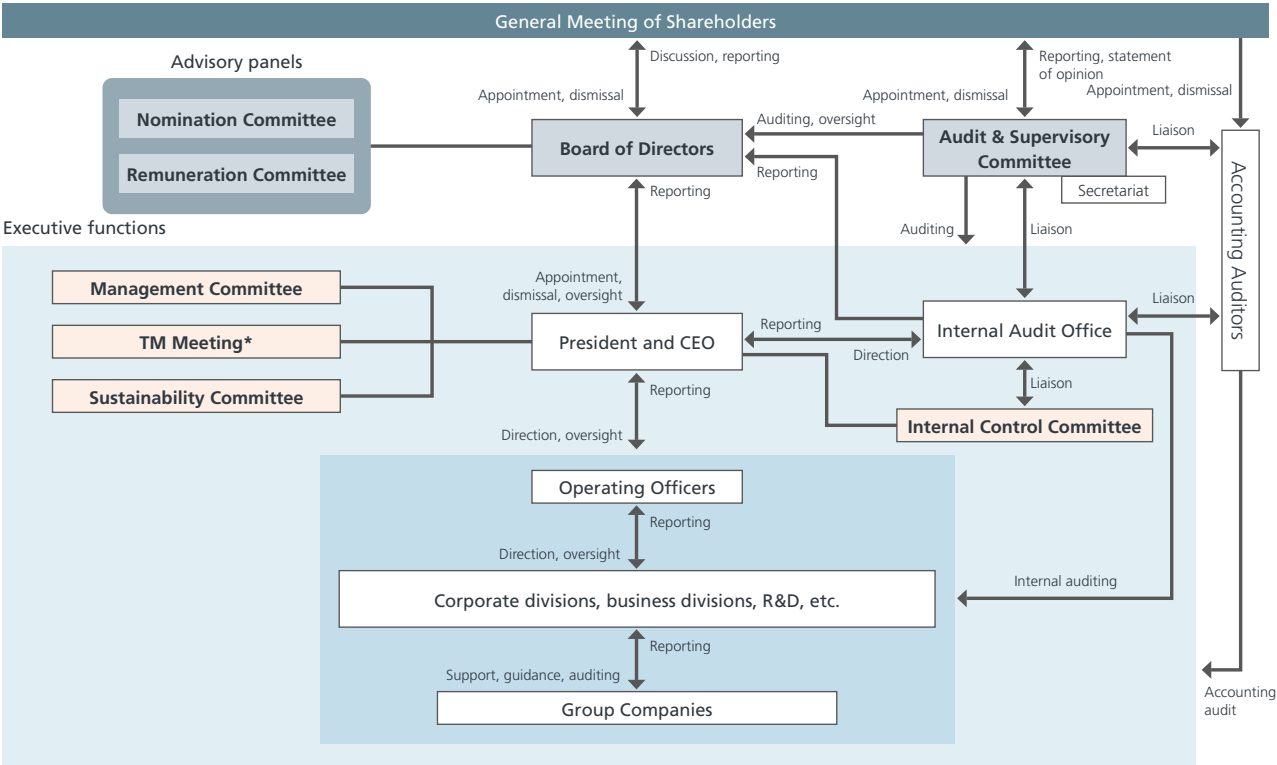
governance framework and internal control system are designed to continue improving the corporate value.

To increase fairness, transparency and objectivity in the appointment and remuneration of the Directors and ensure the Board's independence and accountability, we have established voluntary Nomination and Remuneration Committees. The term of office for Directors who are not Audit & Supervisory Committee members has been set to one year, allowing shareholders more opportunities to vote on the members' performance.

Initiatives Aimed at Strengthening Corporate Governance

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|------|--|------|--|
| 2001 | Introduction of Operating Officers System | 2019 | Appointment of Three Outside Directors (Bringing the ratio of Outside Directors to over one third) |
| 2006 | Appointment of One Outside Director | 2020 | Utilization of an outside organization to evaluate the effectiveness of the Board of Directors |
| 2008 | Appointment of Two Outside Directors
Board of Directors Term of Office changed to one year | 2021 | Revision of corporate governance structure (Internal Control Committee repositioned under executive functions; Sustainability Committee established) |
| 2010 | Establishment of Voluntary Nomination Committee and Remuneration Committee | 2023 | Appointment of a Non-Executive Director as the Chair of the Board of Directors |
| 2013 | Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members | 2024 | Transition to a Company with an Audit & Supervisory Committee |
| 2015 | Establishment of Basic Policy for Corporate Governance | | Five Outside Directors (Ratio of Outside Directors 50%) |
| 2016 | Implementation of Evaluation of Board of Directors' Effectiveness | | Three female Directors (Ratio of female Directors 30%) |
| 2018 | Formulation of successor plan of the Chief Executive Officer and etc. | | |

Governance Structure (As of June 27, 2024)



*TM Meeting: Abbreviation of Top Management Meeting, which is a meeting body to discuss matters concerning personnel and organization

Board of Directors

The Board of Directors, presided over by the Chair, consists of 10 members, including five Outside Directors. The Board formulates legal matters, management strategies and other basic policies, receives reports on matters delegated to executive directors, and supervises the execution of business operations. The Board also maintains an internal control system to promote compliance and manage risks.

Audit & Supervisory Committee

The Audit & Supervisory Committee, presided over by an Outside Director, consists of three members, including two Outside Directors. The Directors who are members of the Audit & Supervisory Committee attend the Nomination Committee, the Remuneration Committee and other important internal meetings while also working closely with the Accounting Auditors, the Internal Audit Office, and the Audit and Supervisory Board of Group companies to ensure highly effective auditing.

Nomination Committee

The Nomination Committee, presided over by an Independent Outside Director, consists of all the Independent Outside Directors who are not Audit & Supervisory Committee members, along with the President and Chief Executive Officer. For auditing purposes, one member appointed by the Audit & Supervisory Committee attends the Nomination Committee's meetings. The Committee deliberates on the nomination of Director candidates, the appointment and dismissal of the President and Chief Executive Officer, and disciplinary matters, and it then reports its findings to the Board of Directors.

Remuneration Committee

The Remuneration Committee, presided over by an Independent Outside Director, consists of all the Independent Outside Directors who are not Audit & Supervisory Committee members, along with the President and Chief Executive Officer. For auditing purposes, one member appointed by the Audit & Supervisory Committee attends the Remuneration Committee's meetings. The Committee deliberates on remuneration plans for Directors and Operating Officers as well as the contents of remuneration paid to each Director, and it then reports the deliberation results to the Board of Directors.

Management Committee

The Management Committee, presided over by the President and Chief Executive Officer, is composed of all Operating Officers. Non-Executive Directors attend the Committee's meetings as observers. The Committee deliberates on the Group's policy matters, such as basic policy on business, sales strategies and investments, and it then resolves matters delegated by the Board of Directors.

TM (Top Management) Meeting

The TM Meeting, presided over by the President and Chief Executive Officer, is composed of Executive Directors and the Operating Officers who are Chiefs of Headquarters. For auditing purposes, one member appointed by the Audit & Supervisory Committee attends the Meetings. The Meeting deliberates on matters concerning personnel, organization and remuneration of the Group, and it then resolves matters delegated by the Board of Directors.

Internal Control Committee

The Internal Control Committee, presided over by the President and Chief Executive Officer, consists of Executive Directors. The Non-Executive Directors, the Operating Officers who are Chiefs of Headquarters, and the head of the Internal Audit Office attend the Committee meetings as observers. Based on the "Basic Policy on Maintenance of 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 Sustainability Committee, presided over by the President and Chief Executive Officer, consists of the Operating Officers who are Chiefs of Headquarters and the Operating Officer in charge of sustainability. In addition, Directors who are not members attend the Committee's meetings 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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Activities of the Board of Directors

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.

This fiscal year, the Board of Directors held 18 meetings, mainly deliberating the following matters.

Main deliberation content (FY2023)

Board of Directors	Governance	<div>■ Change of the organizational structure (transition to a Company with an Audit & Supervisory Committee)</div> <div>■ Selection of candidates for Directors</div> <div>■ Change of the corporate officer remuneration plans (implementation of restricted stock remuneration)</div> <div>■ Conduction of an evaluation of the effectiveness of the Board of Directors and determination of counter-measures for issues from the previous fiscal year</div>
	Management strategy	<div>■ Deliberation on business strategies and capital investments based on the medium-term management plan</div> <div>■ Approval of business plan and confirmation of progress</div>
	Sustainability	<div>■ Deliberations on the report from the Sustainability Committee</div> <div>■ Deliberations on human capital</div>

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. 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 the current fiscal year 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 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

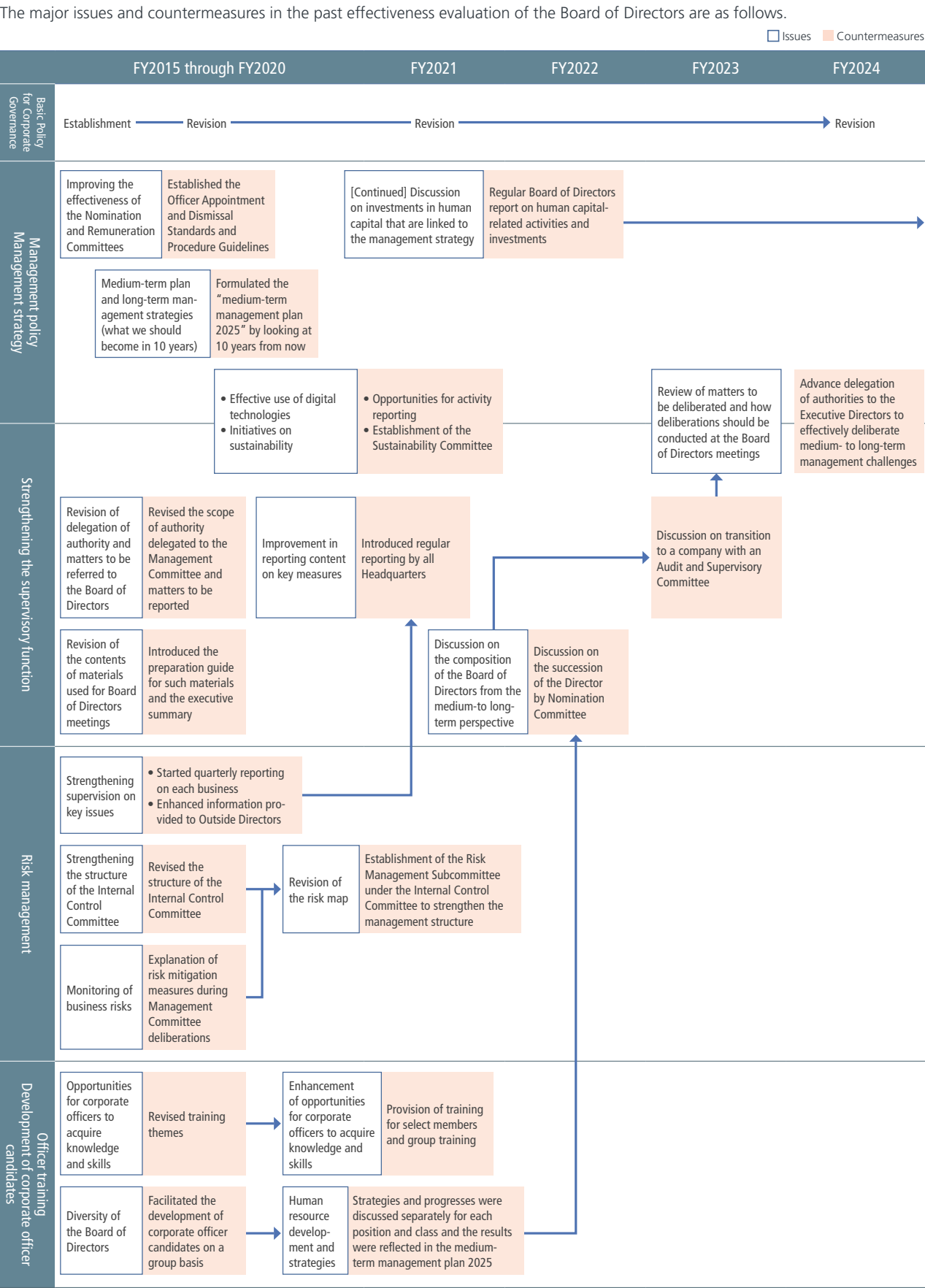
■ Dialogue with shareholders

■ 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. In addition, in conjunction with the transition to a Company with an Audit & Supervisory Committee, “review of matters to be deliberated and how deliberations should be conducted at the Board of Directors meetings” was newly recognized as an issue to be addressed. The Company will endeavor to maintain and enhance its effectiveness of the Board of Directors by addressing these issues systematically.

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



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Activities of the Advisory Panels

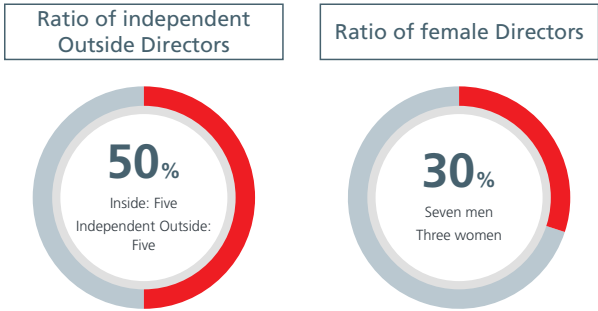
To strengthen transparency and objectivity in the appointment and remunerations of Directors, we have established voluntary Nomination and Remuneration Committees. The majority of both committees are Independent Outside Directors (excluding Audit & Supervisory Committee members). Each committee’s activities in this fiscal year are as follows.

Frequency of meetings		Key agenda items
Nomination Committee	Nine times	<div>■ Discussion regarding the composition of the Board of Directors after the transition to a company with an Audit & Supervisory Committee</div> <div>■ Nomination of Director candidates and appointment of Operating Officers, etc.</div>
Remuneration Committee	Five times	<div>■ Remuneration levels for Directors after the transition to a company with an Audit & Supervisory Committee</div> <div>■ Decision-making policies regarding individual Director remuneration</div> <div>■ Revision of the stock remuneration system for Executive Directors</div>

Nomination of Directors

When selecting Director candidates, we take into account each candidate’s skills to ensure balance and diversity across the Board of Directors, including the Audit & Supervisory Committee.

Composition of the Board of Directors



Message from a newly appointed Director
(Audit & Supervisory Committee Member)



Tomoko Tsunoda
Outside Director (Audit & Supervisory Committee Member)

At the Annual General Shareholders’ Meeting in June of this year, I was appointed as an Outside Director and a member of the Audit & Supervisory Committee.

TAIYO YUDEN is a highly attractive company with a strong market share in the multilayer ceramic capacitor (MLCC) sector. It is expected to continue growing in fields, such as electric vehicles and information infrastructure. I am delighted to be involved as an Outside Director in this company, which significantly contributes to societal value through its business operations. At the same time, I recognize the increasing changes in the environment surrounding listed companies and, given recent trends toward strengthening corporate governance, the growing importance of protecting the interests of various stakeholders.

To enhance corporate governance, ensuring the effectiveness of the Board of Directors is essential. Following this year’s General Shareholders’ Meeting, the company transitioned to add an Audit & Supervisory Committee, and with Outside Directors now comprising half of the Board, its independence has been further strengthened. Additionally, with female Directors now accounting for 30% of the Board, the diversity has also increased. I believe that these initiatives represent significant progress. I look forward to seeing more active discussions within the Board and will closely monitor these changes as an Outside Director.

With my expertise and understanding of market and societal changes, I am determined to enhance the corporate value of the TAIYO YUDEN Group.

Skills Matrix (main areas of expertise and experience of the Board of Directors) (As of July, 2024)

⊙ Committee Chair ○ Members △ Present due to audit

	Main areas of expertise and experience							Nomination Committee	Remuneration Committee
	Corporate management	Technology/R&D	Sales/Marketing	International experience	Finance/Accounting	Legal	ESG/Sustainability		
Katsuya Sase	●	●	●				●	○	○
Shoichi Tosaka	●	●					●		
Tomomitsu Fukuda	●			●	●		●		
Toshiyuki Watanabe	●		●	●					
Masashi Hiraiwa Outside Independent				●		●		⊙	○
Seiichi Koike Outside Independent	●	●		●				○	⊙
Emiko Hamada Outside Independent		●	●				●	○	○
Toshimitsu Honda (Audit & Supervisory Committee Member)	●			●					
Tomomi Fujita (Audit & Supervisory Committee Member) Outside Independent						●	●	△	
Tomoko Tsunoda (Audit & Supervisory Committee Member) Outside Independent	●				●		●		△

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

Skills	Reasons for selecting these skills
Corporate management	To formulate and execute management strategies and supervise management to enhance our corporate value sustainably.
Technology/R&D	To create high-value electronic components, focusing on high-end and highly reliable products, and secure market dominance.
Sales/Marketing	To formulate and implement appropriate strategies with the aim of adapting to the diverse and rapidly changing business environment.
International experience	To appropriately supervise the formulation and execution of strategies and business operations in our globally active Group, where a high percentage of sales comes from overseas markets.
Finance/Accounting	To develop financial strategies and capital policies that align with management strategies and to carry out IR activities, taking into account demands from capital markets.
Legal	To ensure compliance with applicable laws and corporate ethics, to meet the trust of all stakeholders, and to build and implement a system that enables healthy, proper, and efficient business execution.
ESG/Sustainability	To recognize that ESG factors can present both opportunities and risks for management and to contribute to creating a sustainable society by addressing social issues through business activities.

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Corporate Officer Remuneration System

TAIYO YUDEN's remuneration plans for directors (and other officers) shall be designed to raise motivation for the achievement of the goals for the economic value and social value of the medium-term management plan in accordance with the following basic principles.

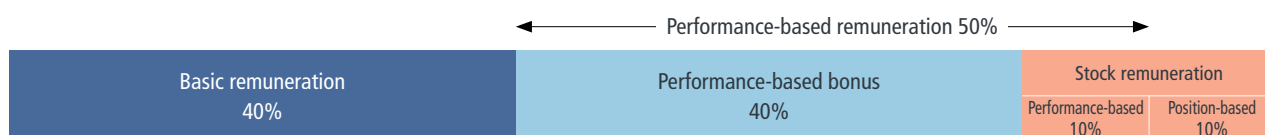
- (1) Remuneration plans shall emphasize the linkage with remuneration and the Group's sustainable growth and medium to long-term corporate value and be designed to share the same value with shareholders.
- (2) Remuneration shall be set at levels that can attract and retain excellent human resources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

We have incorporated the progress of social value targets from the medium-term management plan into the personal evaluation indicators of corporate officers, ensuring that their ESG initiatives are reflected in their compensation. Additionally, for stock-based compensation, we have introduced a restricted stock compensation plan where part of the remuneration is linked to individual performance. This system promotes management practices that enhance corporate value over the medium to long term while also promoting the sharing of greater value with our shareholders.

Composition of remuneration

Type of remuneration		Content, etc. of remuneration	Fixed/variable
Basic remuneration		Monthly cash in accordance with position and responsibilities	Fixed
Performance-based bonus		Cash to be paid at a fixed time each year in accordance with the consolidated performance for each fiscal year. Consolidated profit will be used as the relevant performance indicator to establish a clearer linkage between remuneration and factors contributing to the enhancement of corporate value and shareholder value. The standard amount of remuneration shall be designed to fluctuate based on the consolidated profit for the fiscal year under review in a manner that the ratio of basic remuneration to performance-based bonus is 1:1 when the goal of the medium-term management plan is achieved. The actual amount to be paid shall be determined by multiplying the standard amount to be paid by the co-efficient (75% to 125%) as calculated from the level of performance of the business the applicable officer is in charge of, the level of achievement of the social value goal in the medium-term management plan, and individual evaluation.	Variable
Stock remuneration	Restricted stock remuneration by position	On the condition of continuous service for the period set by the Company's Board of Directors, restricted stock will be issued in advance at a certain time each year in accordance with the standard amount set for each position. The restrictions shall be released upon the forfeiture of all and any positions as Director and Operating Officer of the Company.	Fixed
	Performance-based post-delivery restricted stock remuneration	Restricted stock as calculated in accordance with the level of achievement of the return on equity (ROE) in the medium-term management plan will be issued at the end of each fiscal year. The amount will vary within the range of 0% to 300% against the standard amount for each position, based on the level of achievement of consolidated ROE. The restrictions shall be released upon the forfeiture of all and any positions as Director and Operating Officer of the Company.	Variable

Composition of remuneration for Executive Directors (as per design)



*The designed value set under the assumption that the level of achievement of the medium-term management plan is 100%

Corporate Officer Compensation for FY2023

	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)	249 (38)	7 (3)	209 (38)	4 (—)	17 (—)	4 (—)	22 (—)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	5 (2)	88 (36)	5 (2)	88 (36)	— (—)	— (—)	— (—)	— (—)
Total	12	338	12	298	4	17	4	22

Note: 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.