

Special Feature 2

President and Outside Director in Conversation

Efforts of TAIYO YUDEN’s Board of Directors to enhance corporate value



Katsuya Sase
Representative Director,
President and CEO



Masashi Hiraiwa
Outside Director

TAIYO YUDEN continues to strengthen its corporate governance structure in an aim to ensure sustainable growth and medium- to long-term improvements in corporate value. Mr. Hiraiwa, an outside director, and President Sase met to exchange opinions on the topics of changes to discussions at meetings of the Board of Directors before and after the transition to a company with an Audit & Supervisory Committee, the purpose of the President serving as Chair of the Board of Directors, and succession plan.

Looking Back One Year After the Transition to a Company with an Audit & Supervisory Committee

Hiraiwa To date, TAIYO YUDEN has conducted approximately 10 evaluations of Board of Directors’ effectiveness. One issue that has consistently been raised is that there is too much discussion about business and not enough discussion about management strategies. Therefore, in order to shift the discussions at meetings of the Board of Directors towards a more strategic focus, it was concluded that it is appropriate to delegate the authority for making key business execution decisions to executive directors, while transitioning the Board

of Directors to a monitoring model. Another option when transitioning to a monitoring model is to adopt “a company with Nomination Committee, etc.” governance structure. However, given the scale and organization of TAIYO YUDEN, we decided to transition to a company with an Audit & Supervisory Committee, as we felt that this would be more practical and that strengthening internal controls would enable us to perform more robust auditing.

Sase Looking back one year after the transition to a company with an Audit & Supervisory Committee, I feel that the quality of discussions at executive meeting bodies has improved as a result of the Board of Directors delegating some of its authority. I also feel that there has been a very positive change at meetings of the Board of Directors as the number of remarks from outside directors has increased, leading to the exchange of opinions from diverse perspectives. Additionally, with the inclusion of Audit & Supervisory Committee members as Directors, the composition of the Board of Directors has become more diverse, creating more awareness of information gaps and industry norms. What

was considered common sense within the company may not be seen that way from the outside. This realization has led to more thorough discussions and explanations at meeting bodies, particularly of the Board of Directors. **Hiraiwa** Indeed, I also feel that over the past year, the focus of discussions at meetings of the Board of Directors has shifted to management strategies. Previously, about 60% of the discussions were practical and 40% were strategic, but now the ratio has reversed. Precisely because of the challenging business environment, we were able to allocate more time to strategic topics such as structural reforms and portfolio restructuring.

A Common Understanding of How Monitoring and Execution Should Be Carried Out

Sase TAIYO YUDEN’s Board of Directors aims to be a monitoring board, and its main role is to monitor management. This monitoring can be broadly divided into a decision-making role and a supervising role. Decision-making involves deciding matters for resolution by the Board of Directors as stipulated by laws and regulations, management strategies and policies, and key progress indicators (KPIs) for evaluating the company and its management team. Supervising involves closely watching, tracking, and evaluating these indicators. At TAIYO YUDEN, there are still some unclear aspects regarding evaluation methods, evaluation criteria, and supervising methods. That is why it is important for every director to have a shared understanding of what to observe and how to make judgments as a member of TAIYO YUDEN’s Board of Directors.

As outside directors, we have less information than executive directors. It is of course important to try to understand the methods of analysis and forecasting and the decision-making steps involved in preparing proposals for the Board of Directors, but you should not go too far. I believe that we need to continue to thoroughly discuss and clarify the nature of monitoring and execution at Board of Directors meetings.



Hiraiwa Drawing the line between monitoring and execution is a difficult topic for any company. What constitutes appropriate monitoring and how deeply an outside director should get involved are always subjects of discussion.

Reason and Purpose of the President Serving as Chair

Hiraiwa At TAIYO YUDEN, the President has been serving as Chair of the Board of Directors since June 2025. There is an opinion among the public that an outside director should preside over the Board to maintain neutrality, but I believe that our system is appropriate at this point in time. The chairperson is required to have the ability to facilitate the proceedings and lead the direction of the meeting. I believe that having the

President, who has a deep understanding of the company, chair the meetings improves the quality of discussions and leads to increased corporate value. Meanwhile, since outside directors make up the majority of the Board of Directors, it can be said that there is a system in place to effectively apply the brakes if the Chair were to act recklessly. I therefore believe that the current system—in which

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the Board of Directors, whose intrinsic duty is to increase corporate value, is mostly made up of outside directors but presided over by the President—strikes a good balance between the offensive and defensive aspects of governance.

Sase With many business-related topics on the agenda, it is important that the chair has a deep understanding of the details. While an external perspective is important, meaningful discussions cannot occur if the premise of the discussion is mistaken. To achieve an effective board of directors at TAIYO YUDEN today, I believe it is necessary for me, as Chair, to guide the directors to make appropriate decisions.

Hiraiwa What do you pay particular attention to in your role as Chair of the Board of Directors?

Sase Reducing information gaps and biases. I encourage outside directors to participate as observers in Management

Committee and strategy planning meetings so that they can share the same information.

I also pay attention to making participants' statements clear at Board of Directors meetings. I make clear whether their statement is an opinion, a question, or their impression, and if necessary, I leave it as a topic for consideration at the next meeting. This helps to ensure that discussions do not end without follow-up and that the PDCA cycle is properly implemented.

Hiraiwa When you lead meetings, I feel that you are logical, listen carefully to others, and organize information well. You listen to the opinions of us outside directors and take into account past discussions. As a result, I have seen more opinions expressed at Board of Directors meetings, and I feel that discussions are becoming livelier, so your capabilities as Chair give me high hopes for the future.

Succession Plan at TAIYO YUDEN

Sase When it comes to succession plan for the office of president, I think it is necessary to make preparations for the short term (what to do right now in the event of an emergency), the medium term (within the next few years), and the long term (more than five years from now). In the event of an emergency, the line of succession is clearly defined, and a system is in place to respond immediately.



Meanwhile, we are currently working on developing medium- and long-term succession plans. We have created a list of managers in different positions who are candidates to take over as the next generation of executive officers and we are systematically fostering their development. Regarding candidates for president, the Nomination Committee has started discussions, and will narrow down the candidates over the next few years after identifying what qualities and knowledge are required.

What I particularly value is whether or not the candidate has experience overcoming difficult situations. People who have overcome a difficult situation, especially one involving outside parties, possess strength. For those who do not have such experience, I think it is necessary to deliberately put them in a harsh environment.

Hiraiwa It is said that monitoring management by outside directors mainly involves two main responsibilities: nomination and remuneration. The succession plan for the President is prerequisite for the nomination category. Ensuring that it goes smoothly is a very significant issue. We have already established workflow by which qualified talent is identified, developed, nominated by the President, and reviewed by the Nomination Committee in accordance with the guidelines of the Ministry of Economy, Trade and Industry*.

However, the qualities required of a company president vary depending on the stage of the company. During periods of growth, a president needs a calm manner and the ability to grow, while in times of change like the present, analytical skills and bold decision-making are necessary. In that respect, I feel that you are the right leader for TAIYO YUDEN at this time. Furthermore, after becoming President, you began thinking about succession plan at an early stage. It is precisely because we have the luxury of time that we can prepare to nurture the next generation. I think this is a major strength for TAIYO YUDEN in aiming for sustainable growth.

*Ministry of Economy, Trade and Industry's "Practical Guidelines for Corporate Governance Systems"