Risk Management and Compliance

Basic Policy

TAIYO YUDEN believes that in order for a company to achieve sustainable growth, it is important to meet the demands and expectations of stakeholders, appropriately manage anticipated risks, fulfill social responsibilities by contributing to social development, and gain widespread social trust.

Therefore, at TAIYO YUDEN, we define CSR as "compliance, risk management, and contribution to society," and define CSR activities as activities related to compliance and risk management in accordance with the "CSR Charter (TAIYO YUDEN Group Charter on Social Responsibility)" and "CSR Code of Conduct (TAIYO YUDEN Group Code of Conduct on Social Responsibility)," which we are implementing across the entire Group.

CSR Charter
https://www.yuden.co.jp/en/sustainability/governance/compliance/charter/

CSR Code of Conduct
https://www.yuden.co.jp/en/sustainability/governance/compliance/rule/

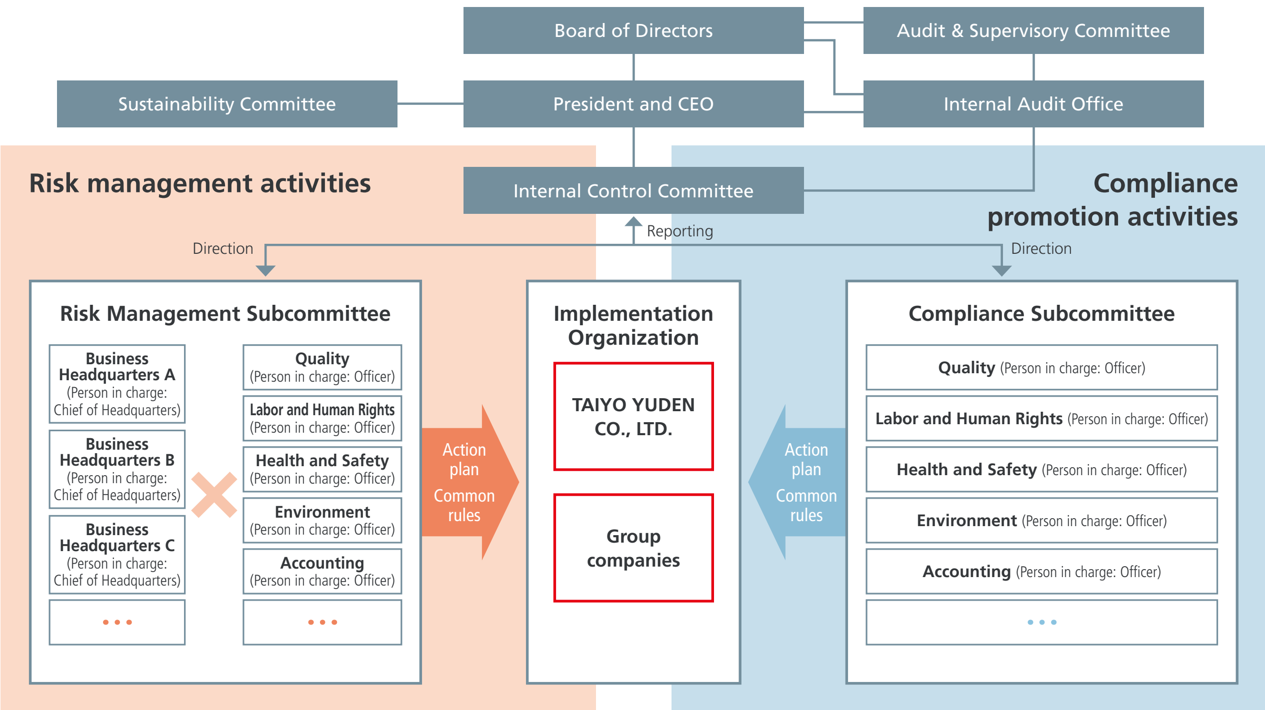
Promotion Framework

Every year, TAIYO YUDEN finalizes its plans for CSR activities in light of trends in laws, regulations, and rules. The finalized plan is reported to the Internal Control Committee, which oversees all activities, as well as to the Board of Directors through the President and CEO. The results of the activities are reported the following year.

To prepare for potential issues and matters of concern, we have built a system for implementing countermeasures as well as actions to prevent recurrence. We also strive to reduce the occurrence of issues and matters of concern by conducting periodic training sessions.

Risk management activities are carried out by a system in which each division takes responsibility for promoting appropriate risk identification, evaluation, and countermeasures at each implementation organization, based on the major risks and countermeasures indicated by the officers in charge and HQ departments appointed for each target risk.

Compliance promotion activities are carried out by a system in which officers in charge and HQ departments are appointed for each article of the CSR Code of Conduct as promotion organizations, and the implementation organization executes activities according to the activity policies and group-wide rules provided by the appointed officers in charge and departments.



Risk Management

Policy

We aim to minimize losses and maximize profits and corporate value by identifying risks in overall company management.

Specific Initiatives

We list legal regulations and risks that affect business activities, and plan and implement compliance procedures for legal regulations and risk reduction measures. We visualize these risks in a nine-cell matrix based on the impact on operations and the likelihood of occurrence. We re-evaluate the appropriateness of compliance procedures and reduction measures annually, and formulate the plan for the next fiscal year based on the results of this evaluation as we work to manage risk.

We also add new legal regulations and risks to the list as needed, and we plan and implement compliance procedures and risk reduction measures accordingly.

Risk identification

Likelihood of occurrence (High ← → Low) \ Impact on operations (Large ← → Small)	A	B	C
1	A1	B1	C1
2	A2	B2	C2
3	A3	B3	C3

Planning and implementation of risk reduction measures at designated departments
Monitoring by the Risk Management Subcommittee

Business Continuity Plan and Business Continuity Management

We formulate a Business Continuity Plan (BCP) and implement Business Continuity Management (BCM) in response to identified risks. Through these efforts, we ensure the safety of our employees, prevent damage to local communities, safeguard the quality of our products, ensure that we fulfill our responsibility to provide customers with stable supplies and minimize losses to our business operations. To this end, we have formulated a plan after clarifying our continuity policy, system, and execution procedures, and we are continually improving this plan.

< Examples of risks and countermeasures > *The risk evaluation shows the location on the risk map.

	Risks	Risk reduction measures	Risk evaluation
Distribution management	There is a possibility that we will become unable to use normal distribution routes or that our distribution lead times will be prolonged due to disruptions in the supply chain caused by natural disasters, pandemics, strikes, terrorism, or other problems. For example, transportation networks may be disrupted, or warehousing functions may be suspended.	We are taking proactive measures such as securing and maintaining alternative routes, in order to build systems that reduce impacts on materials procurement from suppliers and deliveries to customers.	A2
Natural disasters	TAIYO YUDEN recognizes the possibility that natural disasters—including earthquakes, typhoons, and floods—as well as accidents may result in operational suspensions and/or significant damage to its production facilities.	By mainly carrying out the following three initiatives, and by asking our suppliers to do likewise, we are working to establish both stable supply systems and a BCP system that covers our entire supply chain. ■ Ensuring sufficient inventory to last until production lines recommence operations ■ Ensuring global distribution of production bases ■ Ensuring diversification of materials suppliers	B2

ESG / Governance

Compliance

Aim of Compliance Promotion

We are working on activities with the aim of ensuring compliance by extracting laws, regulations, and rules and appropriately understanding the compliance status.

Specific Initiatives

[To Deepen Understanding of the TAIYO YUDEN Group "CSR Code of Conduct"]

In order to deepen understanding of the CSR Code of Conduct, we have created a "CSR Code of Conduct Handbook" that expresses the code of conduct in a concise document with illustrations in 11 languages and distributed to all executives and employees. We conduct group training for all relevant employees at times such as when joining the company or being promoted, and conduct annual e-learning for all employees.

[Prevention of bribery]

The TAIYO YUDEN Group strives to prevent socially inappropriate or illegal entertainment and gifts, bribery, and facilitation payments. TAIYO YUDEN has established the "TAIYO YUDEN Group Regulations on Entertainment, Gifts, Anti-Bribery, and Conflicts of Interest" and takes action on the basis of laws in each country and region.

In particular, the following types of entertainment and gifts are considered a significant risk, as they can lead to compliance issues, and we take action accordingly:

- **Entertainment and gifts to public officials**
- **Entertainment and gifts to customers (sales partners and agents)**
- **Entertainment and gifts from suppliers**

In fiscal year 2024, no cases of administrative disposition or criminal punishment related to bribery were confirmed.

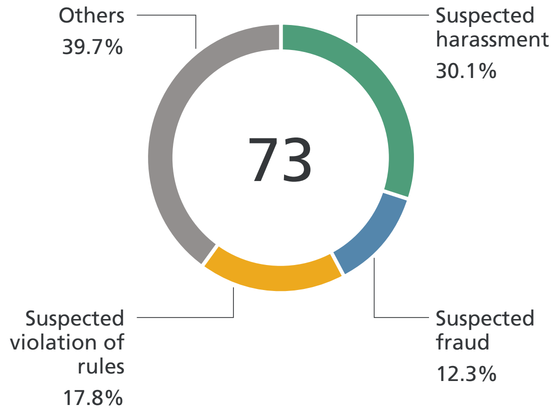
Internal Reporting System

The TAIYO YUDEN Group has introduced an internal reporting system with the aim of early detection and correction of acts that violate or may violate the "CSR Code of Conduct."

We have established internal reception desks at TAIYO YUDEN and domestic and overseas affiliated companies, as well as external reception desks that can handle local languages and multiple languages. It is also possible to report or consult directly with the Audit and Supervisory Committee desk. We have established rules for managing matters that identify whistleblowers, prohibiting retaliation against whistleblowers, and prohibiting the search for whistleblowers, and we operate with full consideration for the protection of whistleblowers, while also allowing anonymous reports.

The internal reporting system is publicized through the company's internal website, posters displayed in the company, distribution of leaflets, and annual education for all employees. In fiscal year 2024, we received 73 reports through the TAIYO YUDEN Group common desk and individual subsidiary desks.

Number of whistleblowing cases in fiscal 2024



Tax Policy

The TAIYO YUDEN Group has established a tax policy aimed at ensuring the proper payment of taxes and reducing tax risks in each country and region.

The TAIYO YUDEN Group has set up a tax management division to grasp the tax return information of each Group company, establish rules for implementing tax policies, and obtain risk information. Group companies appoint a tax officer to communicate with the Head Office and address relevant issues. We will also establish a system for gathering information and receiving advice through a network of external experts to address complex tax problems and country-by-country tax regimes. The officer of the Management Planning Headquarters is responsible for tax governance. Critical tax issues are reported to the Board of Directors or an equivalent organization.

Tax Policy

https://www.yuden.co.jp/en/sustainability/governance/taxpolicy/