

Integrated Report

**TAIYO YUDEN Report
2020**



TAIYO YUDEN


Editorial Policy

The TAIYO YUDEN Group has issued an integrated report titled TAIYO YUDEN Report as a communication tool for its various stakeholders including investors. The report contains information on the Group's financial position and results, management strategies and efforts to address environmental, social and governance (ESG) concerns with the aim of conveying in an easy-to-understand manner how the TAIYO YUDEN Group works diligently to realize sustainable growth and contribution to society. This includes efforts to resolve both customers' and society's issues by delivering various module, software and other comprehensive solutions such as the provision of highly reliable electronic components.

Moving forward, the TAIYO YUDEN Group will continue to sincerely respond to the requests of stakeholders while endeavoring to make its activities better understood.

For details on the TAIYO YUDEN Group's financial and non-financial information, please visit our website at:

 Investor Relations <https://www.yuden.co.jp/or/ir/>

 Sustainability <https://www.yuden.co.jp/or/company/sustainability/>

External Evaluation

Based on favorable evaluations for its efforts to address sustainability issues, the TAIYO YUDEN Group has been selected for inclusion in the following ESG indexes.



FTSE4Good

FTSE4Good Index Series

The FTSE4Good Index Series is an index compiled by FTSE Russell (UK). The index includes companies that have demonstrated strong Environment, Social, and Governance (ESG) practices that are based on global standards.



FTSE Blossom Japan

FTSE Blossom Japan Index

The FTSE Blossom Japan Index is an index compiled by FTSE Russell and includes Japanese companies that have demonstrated strong ESG practices. The Government Pension Investment Fund (GPIF) of Japan has selected this index as a core ESG index.

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

The MSCI Japan Empowering Women Index is an index compiled by MSCI (US). The index includes Japanese companies with high gender diversity scores thanks to their promotion of women in the workplace. The Government Pension Investment Fund (GPIF) of Japan has selected this index as a core ESG index.



S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index is an index compiled by the Tokyo Stock Exchange and S&P Dow Jones Indices (US). Companies included are selected based on their disclosure of environment-related information and their carbon efficiency standards. The Government Pension Investment Fund (GPIF) of Japan has selected this index as a core ESG index.



SOMPO Sustainability Index

The SOMPO Sustainability Index is an index compiled by SOMPO Asset Management. The index is composed of Japanese companies with strong ESG performance evaluations and stock valuations.

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Scope of Report

This report covers (as of March 31, 2020) 26 companies, comprising TAIYO YUDEN, 10 domestic subsidiaries and 16 overseas subsidiaries.

Reference Guidelines

For editing purposes, reference was made to the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade and Industry. For ESG-related information, we referred to the Ministry of the Environment's Environmental Reporting Guidelines (2012 version). We also refer to GRI guidelines and publish environment-related indicators.



Notes

- Period covered by this report: From April 1, 2019 to March 31, 2020. The figures in this report omit amounts less than hundred million yen and 1 million yen and displays it.
- The following convention has been applied as regards the labeling of fiscal years in graphs: "The fiscal year ended March 2019," for example, has been shortened to "2019."

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- The English-language version of this report is based on the Japanese-language version. With the exception of the financial statements, all figures presented have been rounded down to the nearest appropriate unit. As a result, there are cases when a presented figure differs slightly from the equivalent figure in the financial statements.
- Owned by Bluetooth SIG, Inc., the Bluetooth® word mark and logos are being used by TAIYO YUDEN under a licensing agreement.
- The contents of this report are correct as of June 26, 2020.

Disclaimer

This report is intended to provide information about the business performance and strategies of the TAIYO YUDEN Group. It is not intended as an inducement to purchase or sell stock in TAIYO YUDEN. Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of TAIYO YUDEN Group management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties and assumptions, actual results may differ materially. TAIYO YUDEN undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of TAIYO YUDEN.

Section

1

VALUE CREATION STORY

Management Philosophy

Employee Well-being
Betterment of Local Communities
Responsibility to Provide Returns to
Shareholders

TAIYO YUDEN Vision

To be an excellent company
that enjoys the trust and highest regard
from our customers

Since 1950



Rutilcon, barium titanate tubular ceramic capacitors

Hikohachi Sato, the founder of TAIYO YUDEN, worked as a researcher in ceramic materials before the second world war. Following the belief that ‘product commercialization should start from the development of materials,’ Mr. Sato launched TAIYO YUDEN to develop and commercialize titanium-oxide porcelain capacitors in 1950.

He also believed that affection for others was the most valuable thing a person could have. The Company’s management philosophy has three major components, all of which are designed to improve the social nature of the Company and contribute to cultural development by creating an environment in which employees and their families can live their lives in happiness and prosperity.

The beliefs and philosophy of Mr. Sato live on as the underlying spirit of TAIYO YUDEN.

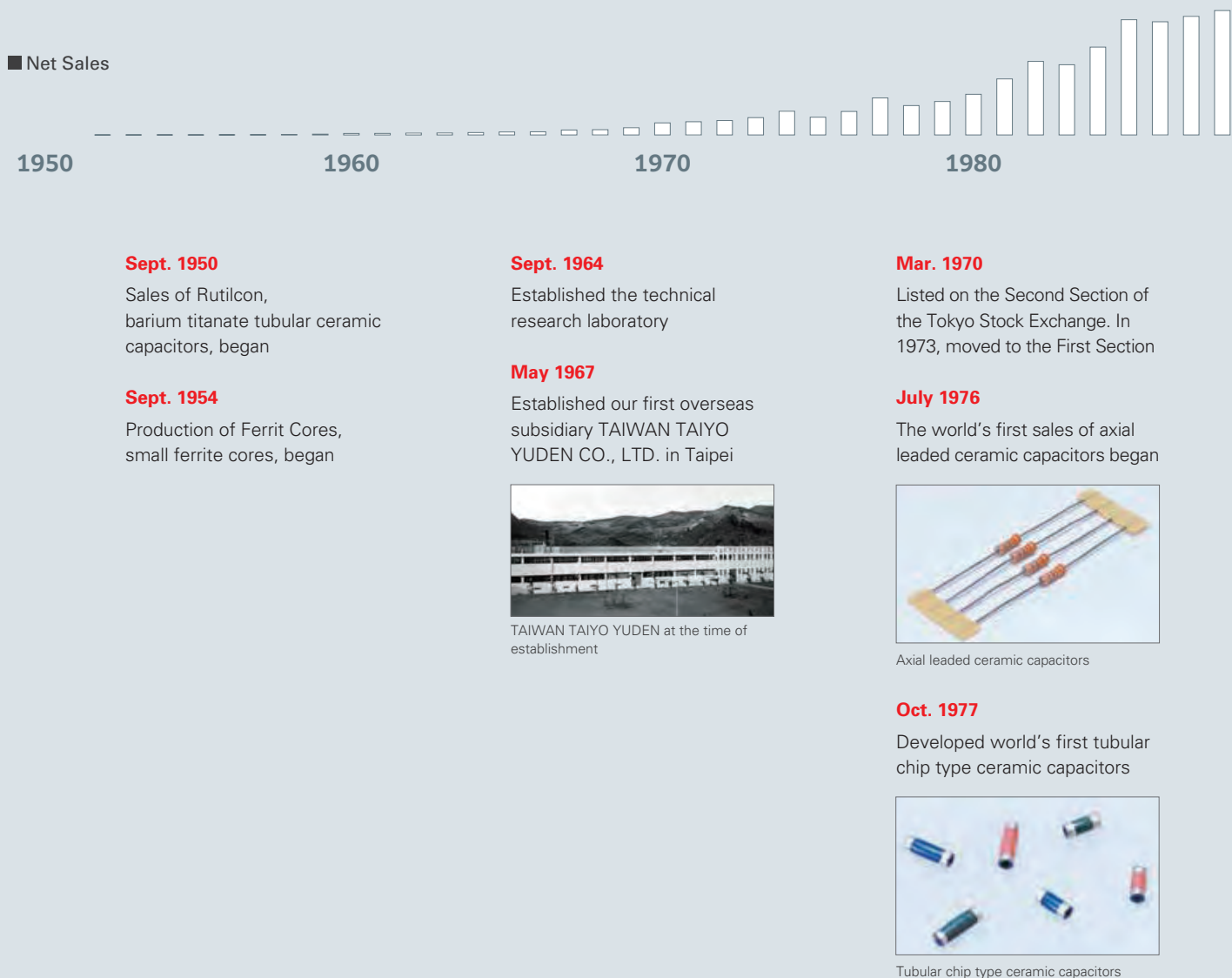


Founder
Hikohachi Sato

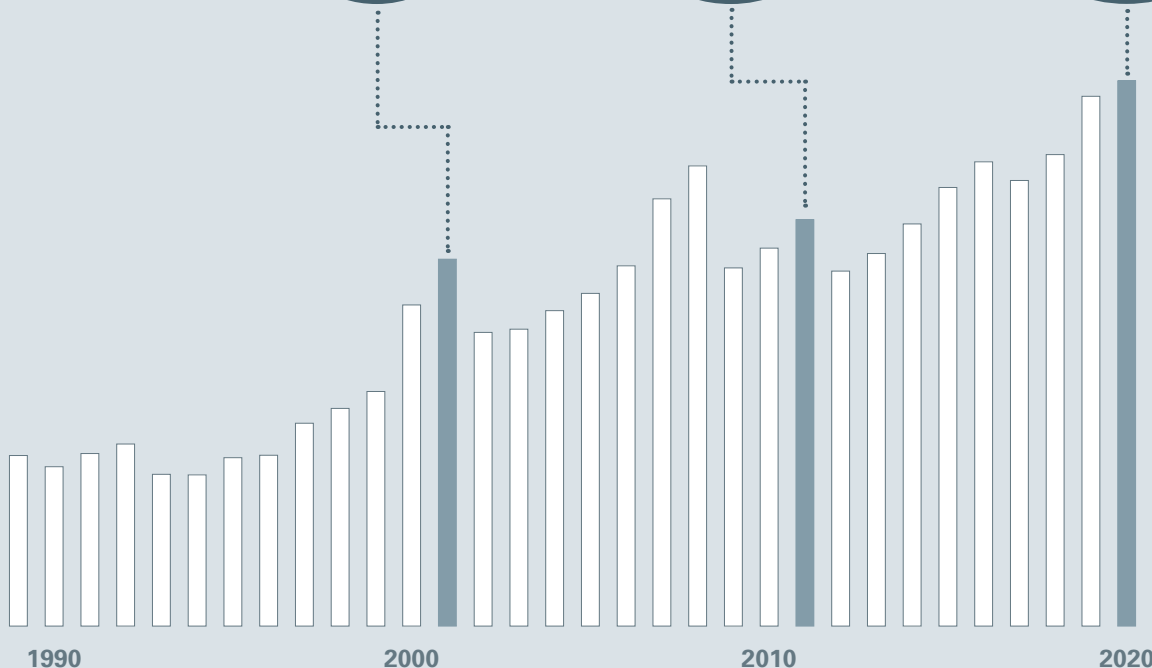
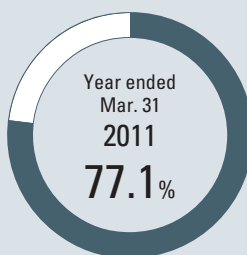
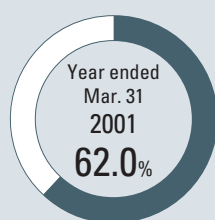
The History of Value Creation

Providing 70 Years of Continuous Support for the World's Electronics

TAIYO YUDEN has since its founding provided to companies around the world a variety of electronics components, including communications devices and inductors, with a focus in particular on multilayer ceramic capacitors, the Company's mainstay product. TAIYO YUDEN's products in the past were used in transistor radios, TVs, and gaming equipment, and in recent year have come to be widely used in areas such as smartphones and tablets, as well as automobiles and industrial equipment, where electrification is becoming increasingly prevalent. The Company continues to grow thanks to its ability to create value alongside the advancement of electronic equipment.



■ Overseas Sales Ratio



■ Most recent results and data

Net Sales
¥282.3 billion

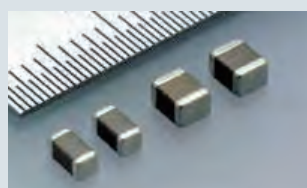
Number of employees
[consolidated]
21,723

**No.3 global
market share**
in multilayer ceramic
capacitors (MLCCs)

(Our Estimate)

July 1984

The world's first sales of nickel electrode high-capacitance multilayer ceramic capacitors began



Nickel-electrode high-capacitance multilayer ceramic capacitors [3216] type and [3225] type

Sept. 1988

Announced the release of the world's first recordable CD-R compact disks



DVD-R, BD-R, CD-R

1999-2000

Established four production bases abroad simultaneously



TAIYO YUDEN (SARAWAK)

Apr. 2001

Acquired the world's first Bluetooth® standard version 1.1 qualification for Bluetooth® full modules

Mar. 2010

Acquired TAIYO YUDEN Mobile Technology Co., Ltd.



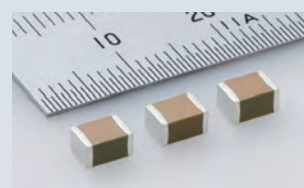
TAIYO YUDEN Mobile Technology Co., Ltd.

Apr. 2018

ELNA CO., LTD. became a subsidiary

May 2018

Commercialized the world's first multilayer ceramic capacitors with a capacitance of 1,000μF



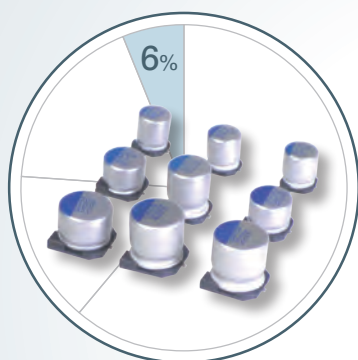
4532 size (4.5mm×3.2mm) small high-capacitance multilayer ceramic capacitors with 1,000μF capacitance

Expanding the Scope of Efforts to Provide Value to Every Corner of the World

2020 Current Status

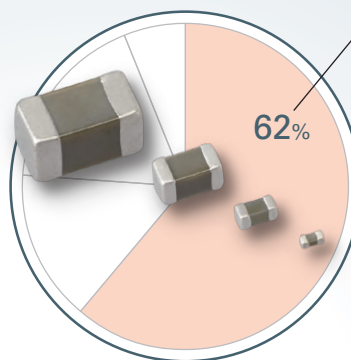
Sales Composition Ratio
(Year ended March 31, 2020)

■ TAIYO YUDEN Main Products
→ p.34 At a Glance



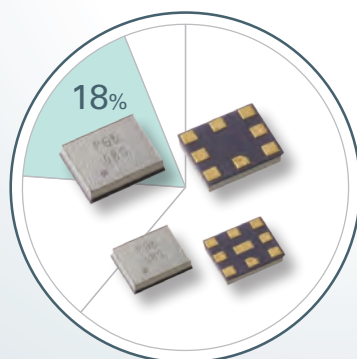
Others

TAIYO YUDEN offers aluminum electrolytic capacitors that are optimal for mounting on increasingly electronicized automobiles as well as various types of power storage devices.



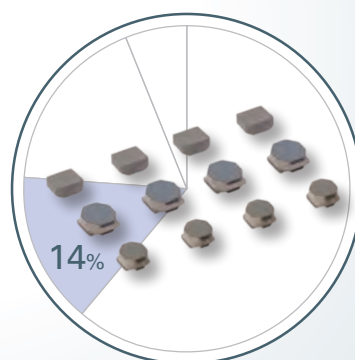
Capacitors

Capacitors are used in a wide variety of electronic equipment to temporarily store electricity and remove electronic noise. TAIYO YUDEN excels in producing leading-edge, highly-reliable multilayer ceramic capacitors which are best suited to cutting-edge electronic devices including smartphones and automobiles, and large numbers of multilayer ceramic capacitors are loaded into such devices.



Integrated Modules & Devices

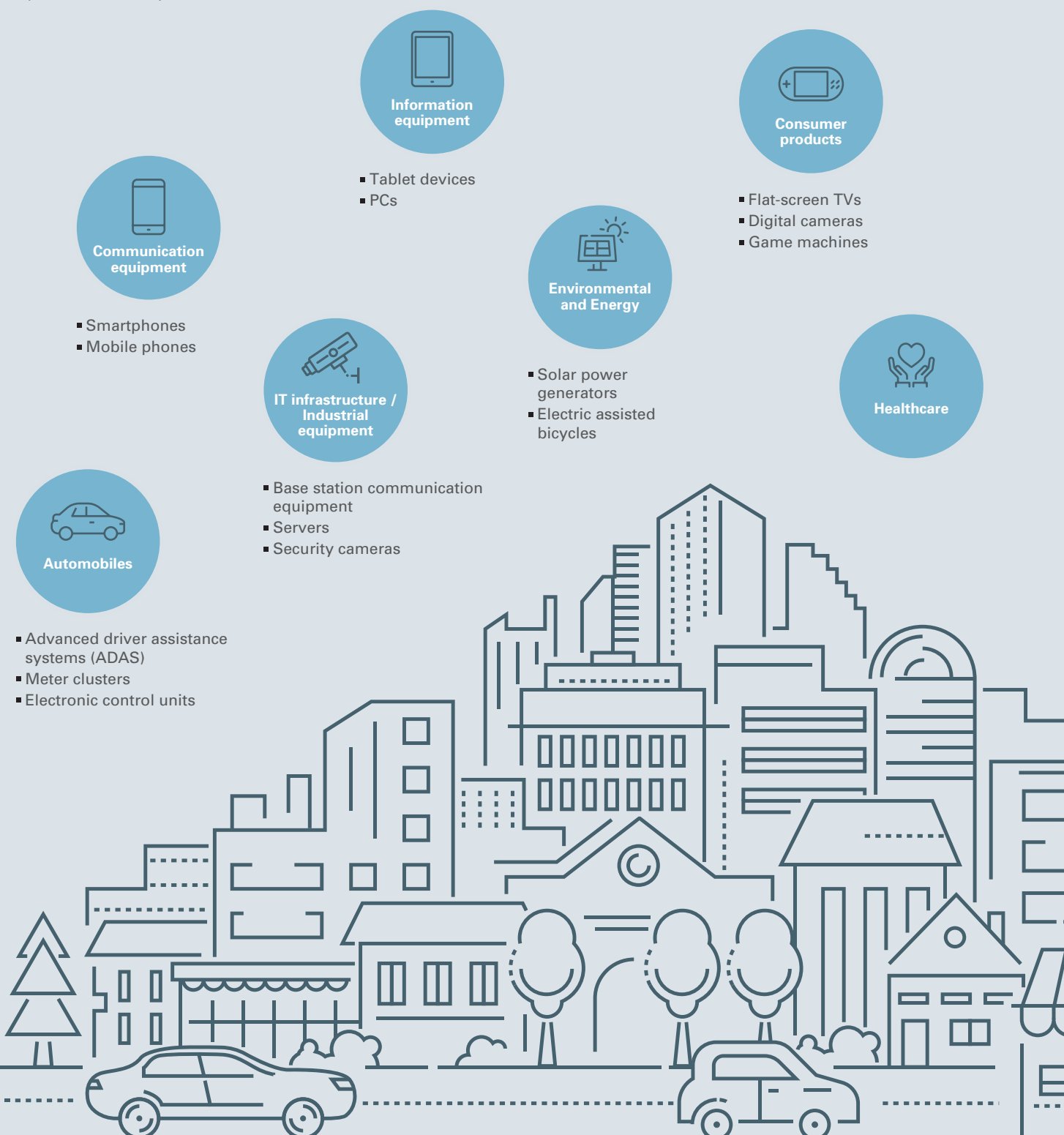
The Integrated Modules & Devices classification's main products are FBAR/SAW devices for mobile communications and power supply modules. The FBAR/SAW devices are used primarily in smartphones to enable high-speed data communications and high-quality voice communications.



Ferrite and Applied Products

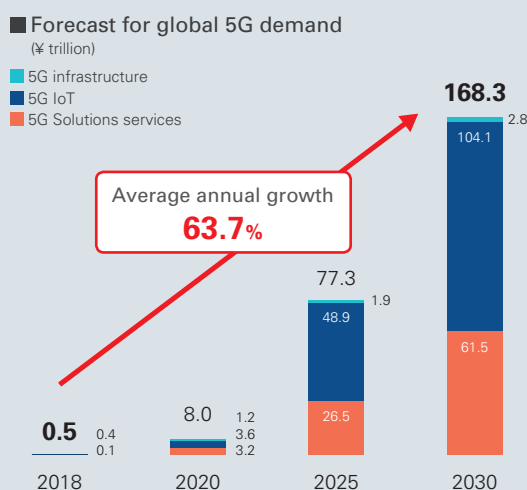
The main products of the Ferrite and Applied Products classification are inductors used in electronic equipment power and high-frequency circuits for blocking alternating current while allowing direct current to pass through.

The Company's products are used across a wide range of fields. For example, our multilayer ceramic capacitors, a mainstay product, are used in virtually every electrical product found in our daily lives. In this sense, the scope of our efforts to provide value has expanded substantially. TAIYO YUDEN will continue to support the evolution of cutting-edge technologies and contribute to the creation of a prosperous society.



Our Goals

Creating Economic and Social Value Through a Focus on Automobiles and Telecommunications, including 5G and CASE Products



Source: Japan Electronics and Information Technology Industries Association (JEITA)

Responding to the Rapid Increase in Data Transmission Volume

5G services are being launched around the world. As the service comes into increased use, it appears likely to be applied not only to smart-phones, but also to a variety of IoT devices and remote controlled robots. Moreover, increased 5G data traffic will result in the rapid development of information-based infrastructure, including 5G base stations and servers. TAIYO YUDEN will support this new 5G society by supplying optimized electronic components, including mainstay multilayer ceramic capacitors and communication devices, for use in 5G-related infrastructure/industrial equipment.



TAIYO YUDEN expects an explosive increase in demand for electronic components as CASE in the automotive field and 5G in telecommunications field both become widely prevalent. While the spread of COVID-19 has contributed to some near-term concerns, we continue to expect an expansion in demand for electronic components over the medium to long term.

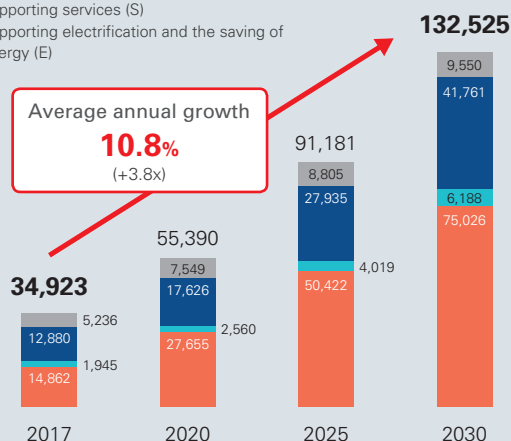
TAIYO YUDEN will ensure a sustainable expansion in economic value and the creation of social value by leveraging its strengths to enhance sales in these areas and continue providing a stable supply of electronic components.



CASE

■ Production value forecast for CASE-related devices
(¥100 million)

- Supporting connectivity (C)
- Supporting autonomous driving and information collection (A)
- Supporting services (S)
- Supporting electrification and the saving of energy (E)



Source: Japan Electronics and Information Technology Industries Association (JEITA)

Contributing to a New Era in Motorization

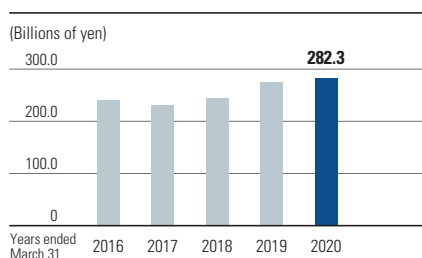
The advancement of four megatrends in the mobility revolution, or CASE (Connected, Autonomous, Shared & Service, and Electric) is likely to propel strong growth in autonomous driving vehicles and electric vehicles. We also expect it to drive a continued expansion in demand for electronic control units (ECUs) which are critical for vehicle computerization and electrification and electronic components. TAIYO YUDEN will meet the needs of an automotive market that demands a high degree of reliability by providing a wide range of products that meet the AEC-Q200 testing standard for reliability in passive automotive components.

Financial and Non-financial Highlights

TAIYO YUDEN CO., LTD. and Subsidiaries
Years Ended March 31 and as of March 31

[Financial]

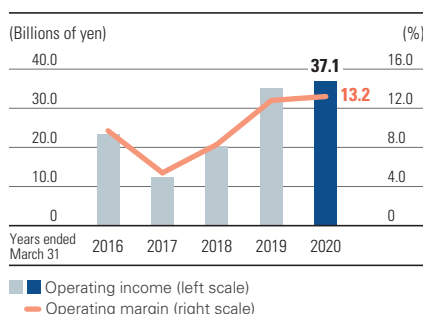
Net sales **¥282.3billion**
2.9% up (YoY) ↗



Driven by growing electrification of automobiles, sales of capacitors, one of our main products, increased. As a result, the Company posted record-high net sales.

Operating income **¥37.1billion**
5.5% up ↗

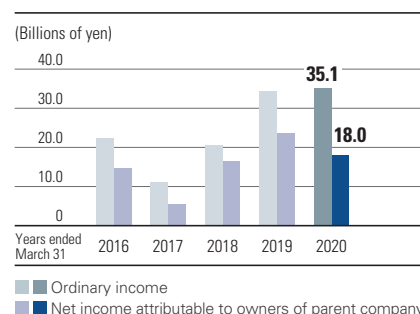
Operating margin **13.2%**
0.4pt up ↗



Both operating income and margin increased. This was mainly due to initiatives aimed at expanding sales in the automobiles as well as IT infrastructure/industrial equipment markets and improving productivity.

Ordinary income **¥35.1billion**
2.4% up ↗

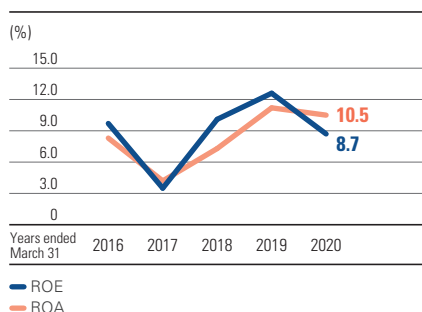
Net income attributable to owners of parent company **¥18.0billion**
23.9% down ↘



Ordinary income is closely tracking fluctuations in operating income. Net income attributable to owners of parent company declined after posting a loss on disaster relating to a subsidiary and an impairment loss on goodwill.

ROE **8.7%**
3.9pt down ↘

ROA **10.5%**
0.7pt down ↘

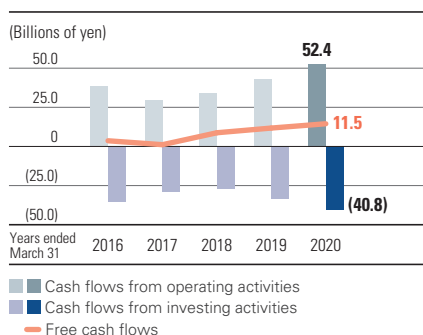


Despite working to enhance profitability by expanding in the focus markets of automobiles as well as IT infrastructure/industrial equipment, and by undertaking productivity improvement activities, both ROE and ROA declined after posting an extraordinary loss.

Cash flows from operating activities **¥52.4billion**
22.0% up ↗

Cash flows from investing activities **¥(40.8)billion**
21.7% down ↘

Free cash flows **¥11.5billion**
23.2% up ↗

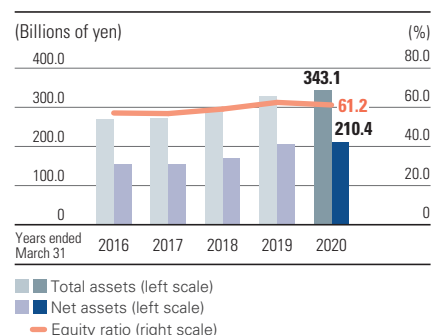


Cash flows from operating activities trended upwards as a result of higher earnings. Meanwhile, despite an increase in purchases of property, plant and equipment stemming from vigorous capital investments and continued investment cash flow outlays, free cash flows are trending upwards.

Total assets **¥343.1billion**
4.3% up ↗

Net assets **¥210.4billion**
2.2% up ↗

Equity ratio **61.2%**
1.3pt down ↘

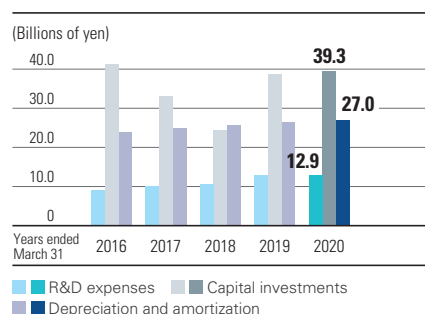


Given the strong demand, the scale continues to expand, leading to growth in total assets. Meanwhile, successful steps are being taken to maintain the Company's sound financial health and an equity ratio in the 60% range.

R&D expenses **¥12.9billion**
0.9% down ↘

Capital investments **¥39.3billion**
2.1% up ↗

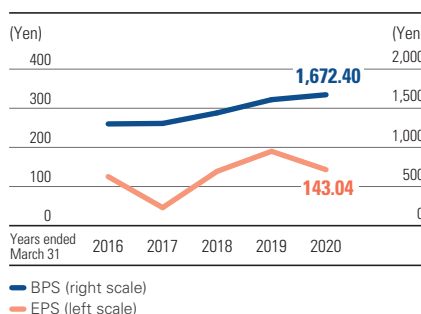
Depreciation and amortization **¥27.0billion**
1.8% up ↗



TAIYO YUDEN continues to make aggressive capital investments on the back of the upswing in 5G-related communications and automobile demand. Moreover, we are continuing to invest in R&D aimed at energizing new business and new product development.

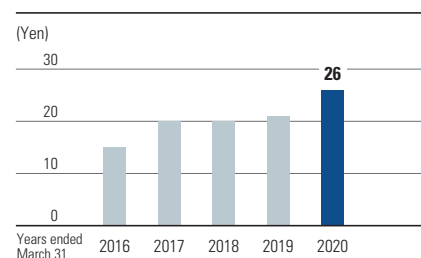
BPS **¥1,672.40**
3.9% up ↗

EPS **¥143.04**
24.7% down ↘



As a result of the upswing in net assets attributable to scale growth and the increase in retained earnings, BPS is trending upwards. EPS declined due to the decrease in net income attributable to the owners of parent company.

Cash dividends **¥26**
¥5 up ↗

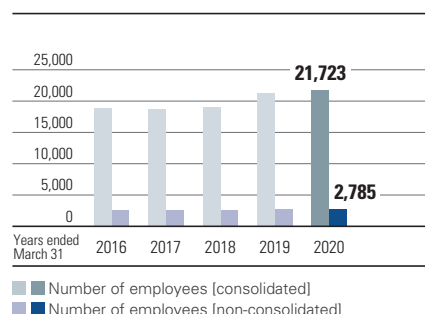


Having stated "Responsibility to Provide Returns to Shareholders" as one of our Management Philosophies, TAIYO YUDEN's basic policy is to secure the stable increase of dividends. We aim to achieve a total return ratio of 30% through a variety of measures including the acquisition of treasury stock. For the fiscal year ended March 31, 2020, we increased the dividend per share by ¥5, compared with the previous fiscal year, for a dividend of ¥26 per share.

[Non-financial]

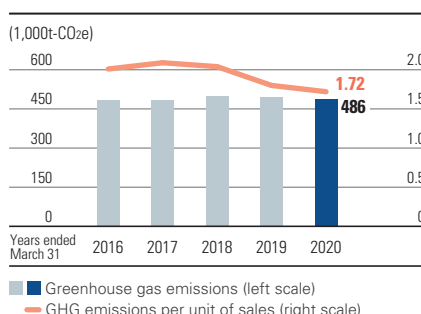
Number of employees [consolidated] **21,723**
2.0% up ↗

Number of employees [non-consolidated] **2,785**
3.9% up ↗



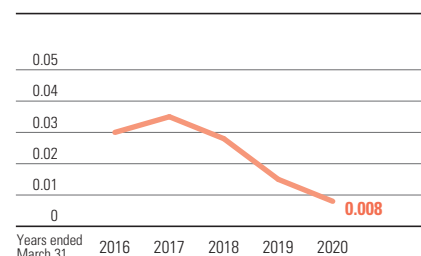
TAIYO YUDEN is increasing the number of employees each year due to increasing production capacity.

Greenhouse gas (GHG) emissions **486,000t-CO₂e**
1.6% down ↘



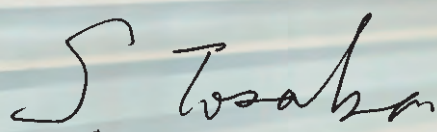
Greenhouse gas emissions were flat. However, energies are being directed toward improving emissions per unit of sale by revising production processes with a primary focus on mainstay products and minimizing the amount of resources used.

Incidence rate of injuries and illness **0.008**
0.007pt down ↘



As a result of conducting risk assessments for all work sites and promoting measures to prevent the occurrence of work-related accidents and work-related illnesses, successful steps were taken to achieve the medium-term plan target of less than 0.035 for the incidence rate of injuries and illness.

Message from the President

A handwritten signature in black ink, reading "S. Tosaka".

Shoichi Tosaka
President and Chief Executive
Officer



Continue Sustainable Growth-oriented Management while Closely Watching the Impact of COVID-19

The TAIYO YUDEN Group's Future Vision

Support to the Electronics Industry through Smart Products

Since its inception in 1950, TAIYO YUDEN has been supplying capacitors and other electronic components that have been critical to the evolution of everyday electronic devices. We have consistently used internally developed materials as the bases of our products to assure top performance of the electronic components we make. In recent years, various industries have used an increasing number of electronic components as the need for compact/high-performance devices is rising. Accordingly, the TAIYO YUDEN Group is focused more than ever before on its signature credo of "conducting every step from the research and development of materials to product commercialization." This is our major driver to grow business.

Against this backdrop, the TAIYO YUDEN Group aims to solve social issues in the electronics field and contribute to the creation of a safe, comfortable, and convenient society by realizing its vision "to be an excellent company that enjoys the trust and highest regard from its customers" through the development and provision of "smart products."

Financial Results for the Fiscal Year Ended March 2020

Reached Record-high Net Sales and Operating Income

Consolidated net sales for the fiscal year ended March 31, 2020 totaled ¥282.3 billion, which is an increase of 2.9% compared to the corresponding period of the previous fiscal year, and operating income rose 5.5% to ¥37.1 billion, for new record highs. The core capacitor business growth was driven by automotive applications where the number of electronic components installed per vehicle has risen with the increased use of electronic equipment. In addition, net income attributable to owners of parent company was ¥18 billion, down 23.9% year on year. This was the result of recording extraordinary loss that included impairment loss on goodwill associated with ELNA CO., LTD., our subsidiary, and loss on disaster related to our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD., which incurred typhoon-related damage.

Impact of COVID-19

Operations Back to Normal but Watching Future Impacts

The TAIYO YUDEN Group has been impacted by the rapid spread of COVID-19 in 2020. We limited operations at our production facilities in the Philippines and Malaysia at one point from March in accordance with governments' restrictions on activities and movement. In addition, we were affected mainly by

Message from the President

increases in logistics costs and lead-times due to a reduction in flights. In response, the TAIYO YUDEN Group implemented various measures that included activating its Business Continuity Planning (BCP) measures, taking steps to prevent further infections, changing distribution channels, and securing alternate transportation routes. Currently*, operations at production facilities have normalized and business activities are running as usual. Nevertheless, we will remain vigilant as supply chains could be disrupted again in the event of another wave of infections.

* As of August 2020



“ We expect the TAIYO YUDEN Group's medium- to long-term growth potential to steadily increase ”

Future Business Conditions & Earnings Forecasts

Electronic Components are a Medium- to Long-term Growth Market

In the fiscal year ended March 31, 2020, the impact of COVID-19 on earnings was minor. However, the near-term impact on the TAIYO YUDEN Group's earnings has become a greater concern mainly attributed to the noticeable reduction in automobile production with the global economy clearly slowing. In addition, business conditions are currently unclear due to worsening trade friction between the United States and China. The TAIYO YUDEN Group targets net sales of ¥300 billion, operating margin of 15%, and ROE of over 10% for the fiscal year ending March 31, 2021, the final year of the medium-term management plan. However, we now expect to achieve these targets from the next fiscal year due to temporary stagnation caused by COVID-19.

Despite this situation, accelerating demand growth for electronic components is a medium- to long-term trend that remains unchanged and is being driven by the shift to 5G next-generation communication standards and development of CASE* in the automobile market. Particularly in 5G, China has already taken the lead in revitalizing these markets. The 5G market is expected to undergo full-scale growth worldwide owing to the switch to 5G-compatible smartphones along with upgrading telecommunication base stations and other infrastructure.

* An automotive industry acronym formed from Connected, Autonomous, Shared & Services, Electric

With the start of 5G services, there will certainly be an increase in the number of electronic components installed not only in smartphones but also various types of electronic machinery. It is easy to guess that the need for high-end components will pick up as the load on devices will increase when 5G software services improve. As a result, we think the need for high-end components like capacitors supplied by the TAIYO YUDEN Group will continue to increase significantly. Beyond capacitors, we also see products like inductors and communication devices moving in the same direction.

While negatives from COVID-19 look unavoidable in the short term, we expect the TAIYO YUDEN Group's medium- to long-term growth potential to steadily increase.

Core Product Strategies

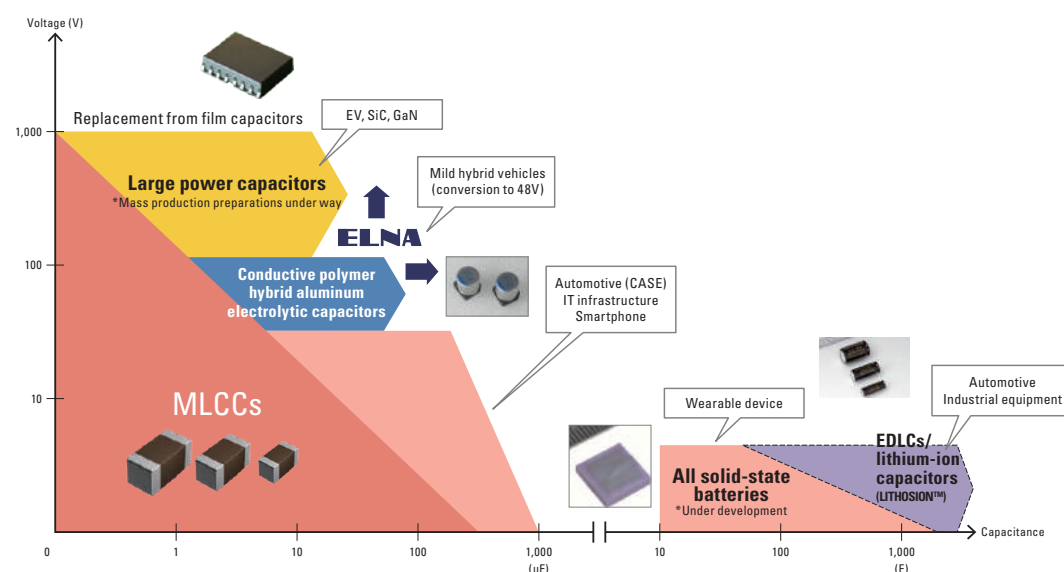
Enhance Products & Lineups

As for product strategies, we are continuing to evolve our core multilayer ceramic capacitor in terms of smaller sizes and larger capacitance. At the same time, we intend to capture demand for power-assist hybrid vehicles with our offering of our hybrid aluminum electrolytic capacitors made by our subsidiary ELNA CO., LTD. which cover the high voltage zone requirements. Moreover, we will expand electric double-layer capacitors and lithium ion capacitors in the farad-unit high capacity zone.

As for ferrite and applied products, inquiries have picked up regarding our unique multilayer power inductors that use metal materials. This compact product demonstrates extremely high performance in large currents while leveraging its cost advantages through the TAIYO YUDEN multilayer technology. This makes our products very competitive for 5G smartphones. Not relying on the smartphone market, however, we will install our new inductor products into automotive, IT infrastructure, and industrial equipment based on two key types: compact multilayer and large coil-wound.

As for communication devices, higher volumes for multilayer ceramic filters look promising along with increased demand for SAW and FBAR filters for 5G smartphones. We will therefore pursue development of new ultra-small/low-profile products that conform to these design requirements. In addition, TAIYO YUDEN Group filters command a high market share for telematics and other applications owing to their reliability. Going forward, we aim to further expand automotive applications for these filters.

Capacitor Business Direction and Positioning of ELNA CO., LTD.



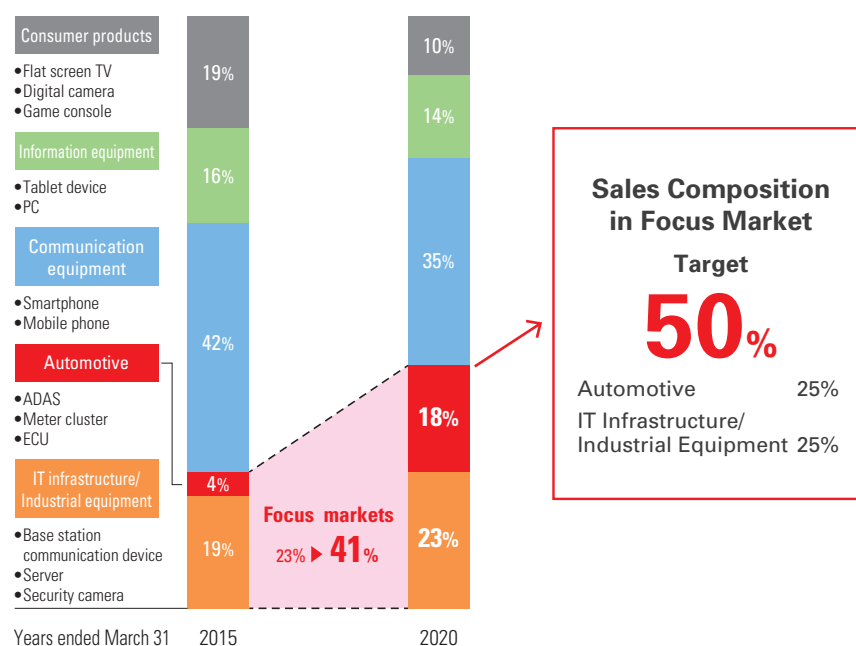
Expansion of Focus Markets

Sales Growth in Focus Markets where Demand is Stable

As a key strategy of the medium-term management plan, the TAIYO YUDEN Group has intensified its efforts in all areas of product development, production, and marketing, targeting focus markets in order to reduce its dependence on smartphones and other devices subject to sharp demand swings. Accordingly, we targeted a rise in sales composition ratio to 38% for automobiles, IT infrastructure, and industrial equipment by the fiscal year ending March 31, 2021. We subsequently reached this target two years earlier than planned in the fiscal year ended March 31, 2019 owing to brisk sales growth in focus markets. Further to this achievement we raised the sales composite target for this segment to 50% and we are continuing our marketing activities to this end.

Expectations are extremely high for the TAIYO YUDEN Group given the limited number of suppliers able to steadily supply large volumes of high-quality electronic components that are required to have a high level of reliability for use in automobiles, IT infrastructure, and industrial equipment. The sales composition ratio in the fiscal year ended March 31, 2020 was 18% for the automotive and 23% for IT infrastructure and industrial equipment markets, for a combined total of 41%. Our efforts to steadily penetrate growth markets to capture stable demand has started to bear fruit. In focus markets, we intend to extend our targets to include medical devices and robots in the industrial equipment field.

■ Sales Composition by Market Sector



New Businesses

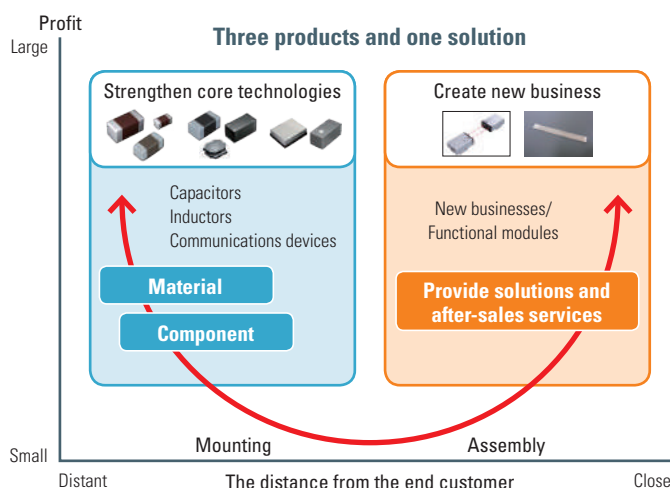
Taking on the Challenge of New Businesses with Innovative Solutions

The TAIYO YUDEN Group is developing new businesses in order to expand its earnings source. To this end, we will fully committed to develop electronic components that leverage our strengths in areas such as material and multilayer technologies while also working to enhance the provision of high-value-added solutions at the right edge of the smiling curve.

For example, the development of actuators using piezoelectric materials for use in automobile touch panels involves offering solutions for tactile technology that combines both tangible and intangible aspects.

In addition, we completed a prototype for an all solid-state battery and plan to start shipping samples in the fiscal year ending March 2021. We expect demand for replacing conventional batteries with all solid-state batteries to emerge mainly for wearable devices based on the safety features of solid-state batteries, (i.e. there is no combustion or leakage) and TAIYO YUDEN's miniaturization expertise.

■ Business Model Change for Establishing a Profitable Operating Structure

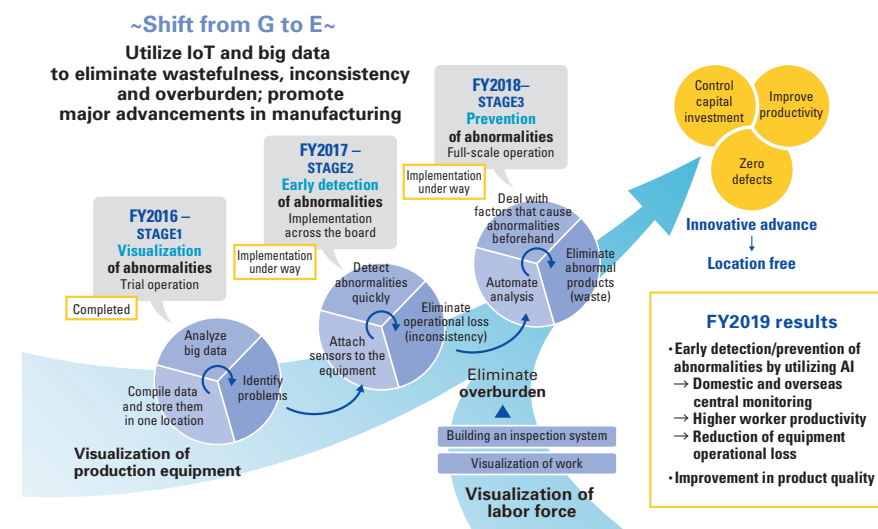


Advancements in Manufacturing

Steadily Improving Production Efficiency via the smart.E Project

We have been implementing the “smart.E” project since its inception in 2016 under the banner: “advancement of manufacturing.” The smart.E project creates mechanisms for efficiently producing electronic components addressing the demand increases by eliminating equipment and human variances to increase yields while preventing malfunctions and defects. In the fiscal year ended March 31, 2020, by using AI to constantly watch for production abnormalities the TAIYO YUDEN Group is able to unitarily

■ “smart.E” Project: Evolution in the Manufacturing Process



Message from the President

monitor operations in Japan and overseas. This drives better human productivity, and a reduction in facility operational loss. TAIYO YUDEN's smart.E has not only realized visibility of equipment status but also identified skill difference among plant employees, resulting in higher product yields and quality.

Going forward, we plan to build a location-free framework that enables identical manufacturing at any plant around the world. The TAIYO YUDEN Group has dispersed its production globally centered on capacitors and inductors, but functions currently vary by region as does what can and cannot be done. Transitioning to borderless production will be our challenge in the years ahead. In light of this, we will accelerate our efforts to develop a flexible global production system that enables us to quickly pivot to other locations when production facilities anywhere are stopped due to such threats as pandemics like COVID-19 or natural disasters. Furthermore, we plan to proactively automate production to a greater extent than before through robotics and mechanization.

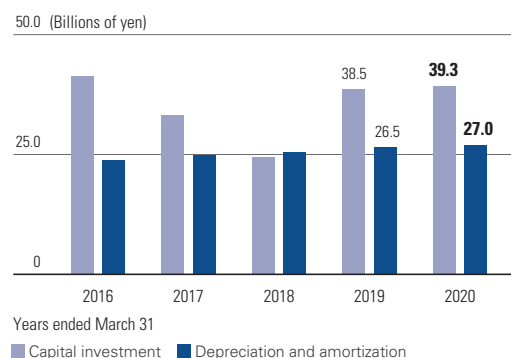
Investment for Future Growth

Continuing Growth Investment to Meet Higher Demand over the Medium to Long Term

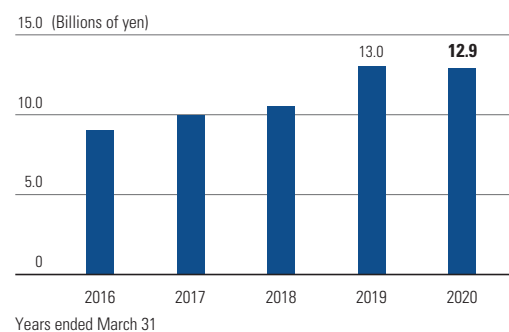
We recognize this is a critical time to undertake investment aimed at electronic component demand growth over the medium to long term. For multilayer ceramic capacitors, we have enhanced production capacity by 10-15% year on year in the fiscal year ended March 31, 2020. In April 2020, we have completed construction of Building No. 4 for our production subsidiary NIIGATA TAIYO YUDEN CO., LTD. We plan to continue these investments and further enhance production capacity on an ongoing basis.

We are also concentrating our efforts on R&D, from which the TAIYO YUDEN Group's future is forged. To this end, we will aggressively invest in core product development as well as new business creation.

■ Capital Investment/ Depreciation and Amortization



■ R&D Expenses



ESG Strategies

Establishes the Sustainability Promotion Department and signs the United Nations Global Compact

The TAIYO YUDEN Group is enhancing initiatives in ESG (environment, social and governance) by continuing our focus on sustainable corporate activities. Each TAIYO YUDEN employee on a worldwide bases is expected to fully adhered to our CSR Code of Conduct and has undertaken activities that more proactively realize their social responsibilities. We recently established the Sustainability Promotion Department in order to further promote these activities companywide while taking steps to enhance ESG and SDGs (the Sustainable Development Goals) related activities and information disclosure. In

In addition, TAIYO YUDEN became a signatory to the United Nations Global Compact (UNGC) and joined the Global Compact Network Japan. We strongly support the UNGC's 10 Principles categorized into the four areas— "Human Rights," "Labour," "Environment," and "Anti-Corruption."

WE SUPPORT



In the fiscal year ended March 31, 2020, we began measuring river water levels on a trial basis to make a contribution in the environment/climate change field. And the TAIYO YUDEN Group will more aggressively work to solve social problems and create an affluent society through the development and provision of smart products going forward.

As for corporate governance, we are discussing ways to improve corporate value over the long term led by the Board of Directors. We are aware that the development of future generations of a management group is one of our important responsibilities. Executive directors who are candidates to be future Board of Director members are being trained with the objective to improve qualifications. The training involves job rotations on an as-needed basis and providing a diverse array of experience that includes practicing goal management using key management indicators. We regularly conduct training for directors and executive officers based on timely themes and case studies, while working to improve executive knowledge and skills. I personally intend to build a management structure that can achieve long-term growth.



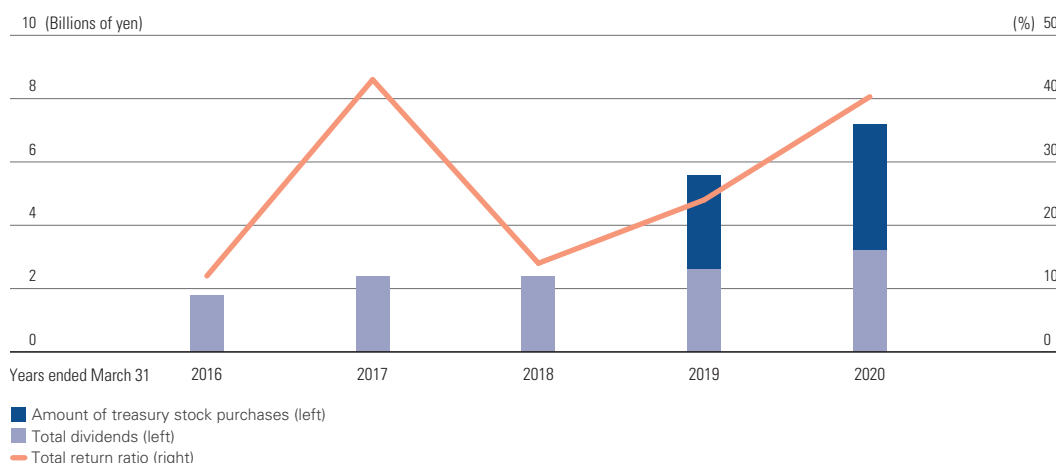
Shareholder Returns & Financial Strategy

Aim for Stable Returns while Preparing for Unforeseen Contingencies

Finally, I would like to discuss returning profits to our shareholders. TAIYO YUDEN targets a total return ratio of 30%, which includes share buybacks, as part of our policy to increase dividends on a sustainable basis. We raised dividends for the fiscal year ended March 31, 2020 by ¥5 year on year to ¥26 per share. In addition, we implemented buybacks of around ¥4 billion aimed at improving capital efficiency, resulting in total return ratio of 40%.

As for our financial strategies going forward, we will maintain a stable financial base, keeping equity ratio at around 60%, as well as make absolutely sure that we are prepared for unforeseen contingencies, which includes signing commitment lines totaling ¥30 billion with multiple financial institutions.

■ Returning Profits to Shareholders





Feature

TAIYO YUDEN Value Creation

Product Development Centered on Material & Multilayer Technologies

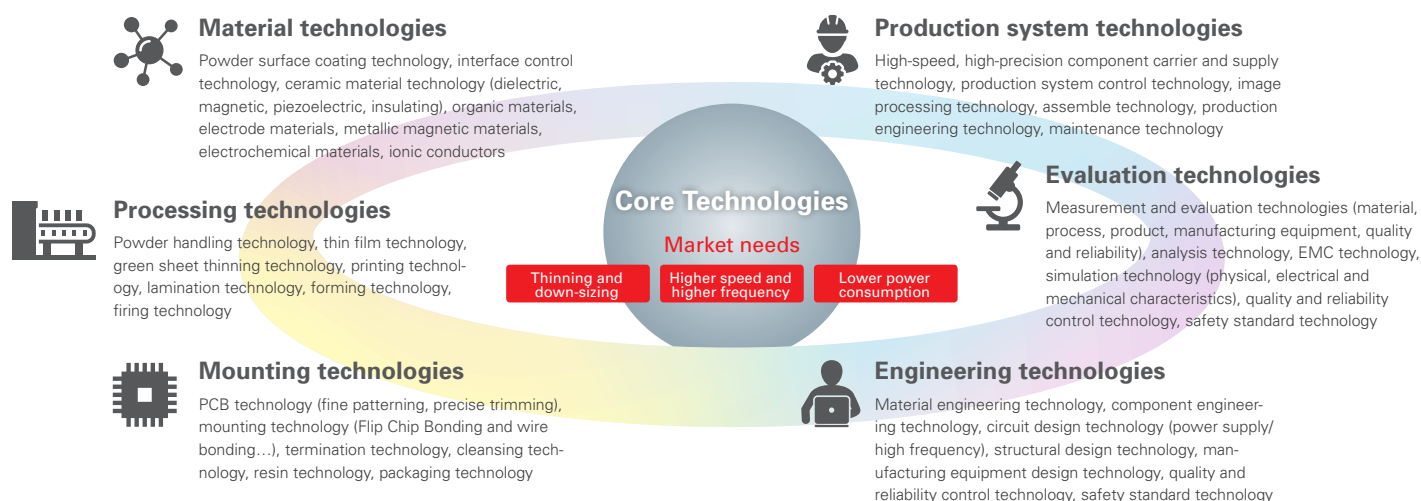
TAIYO YUDEN has cultivated various technologies over the course of developing and manufacturing its mainstay capacitor products since its foundation. These key technologies are used in other TAIYO YUDEN products and new fields and, in turn, are supporting the growth of the TAIYO YUDEN Group.

TAIYO YUDEN Core Technologies

TAIYO YUDEN has cultivated many important core technologies over the course of developing various products to date. We continue to provide products that meet customer needs through optimal combinations of these technologies. The characteristics of multilayer ceramic capacitors (MLCCs) in particular depend greatly on the performance of materials. Consequently, TAIYO YUDEN has created a consistent in-house production system extending from materials development to production, and this has enabled the Company to maintain its competitive edge. Ceramic materials with

superior properties are a baseline element vital for continuing to develop cutting-edge products, and we use a wide range of technologies freely for raw material synthesis and particle control.

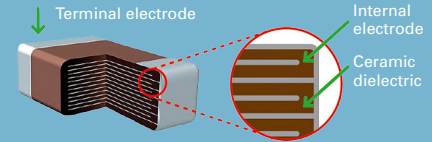
Beyond materials development, we aim to increase the sophistication of various technologies used at each stage of the manufacturing process. Multilayer and other process technologies are critical for determining product performance and have become key themes for our research and development activities.





MLCC structure

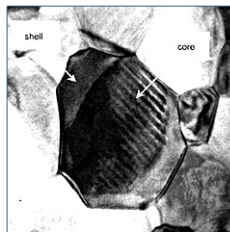
MLCCs use a multilayer structure that consists of alternately stacked ceramic dielectric layers ("dielectric layers") and electrode layers. MLCC electricity storage performance is determined by the surface area of internal electrodes, so forming thin layers and using a multilayer design is necessary for storing large volumes of electricity within a small size.



TAIYO YUDEN Material & Multilayer Technologies that Realize High-quality MLCCs

1 Material synthesis capabilities

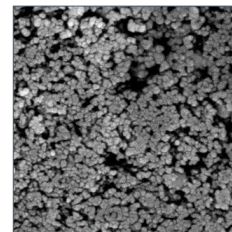
Barium titanate is a MLCC dielectric material made by combining titanium oxide with barium carbonate. TAIYO YUDEN possesses technologies for synthesizing internally optimal barium titanate tailored to product characteristics.



Barium titanate core shell structure

2 Particle control capabilities

Barium titanate particle that is uniform in shape and size is extremely important for realizing desirable characteristics. Barium titanate particles are small at just around 15nm, and we have technologies that can maintain uniform control at even such a small particle size.

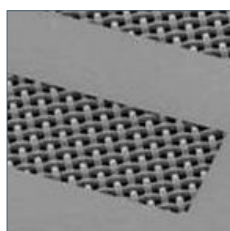


Ultrafine powder

3 Uniform printing capabilities

MLCCs are made by printing electrodes on to thin dielectric layers, which are then layered together. As products are very small*, even a slight printing flaw will result in product defects. TAIYO YUDEN undertakes high-precision printing using technologies that prevent oozing and blurring in printing.

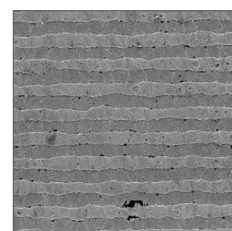
* The smallest TAIYO YUDEN product is 0201 size (0.25mm×0.125mm×0.125mm)



Printing-use high-precision screen mask (enlarged view)

4 Accurate layering capabilities

A single MLCC layer is thin at just around 300nm. The layering of many thin layers enables MLCCs to store a greater volume of electricity, so technology that layers thin sheets without deviation has become extremely important. TAIYO YUDEN has enhanced the sophistication of this multilayer technology, offering products with multilayer structures of 1,000 layers or more.



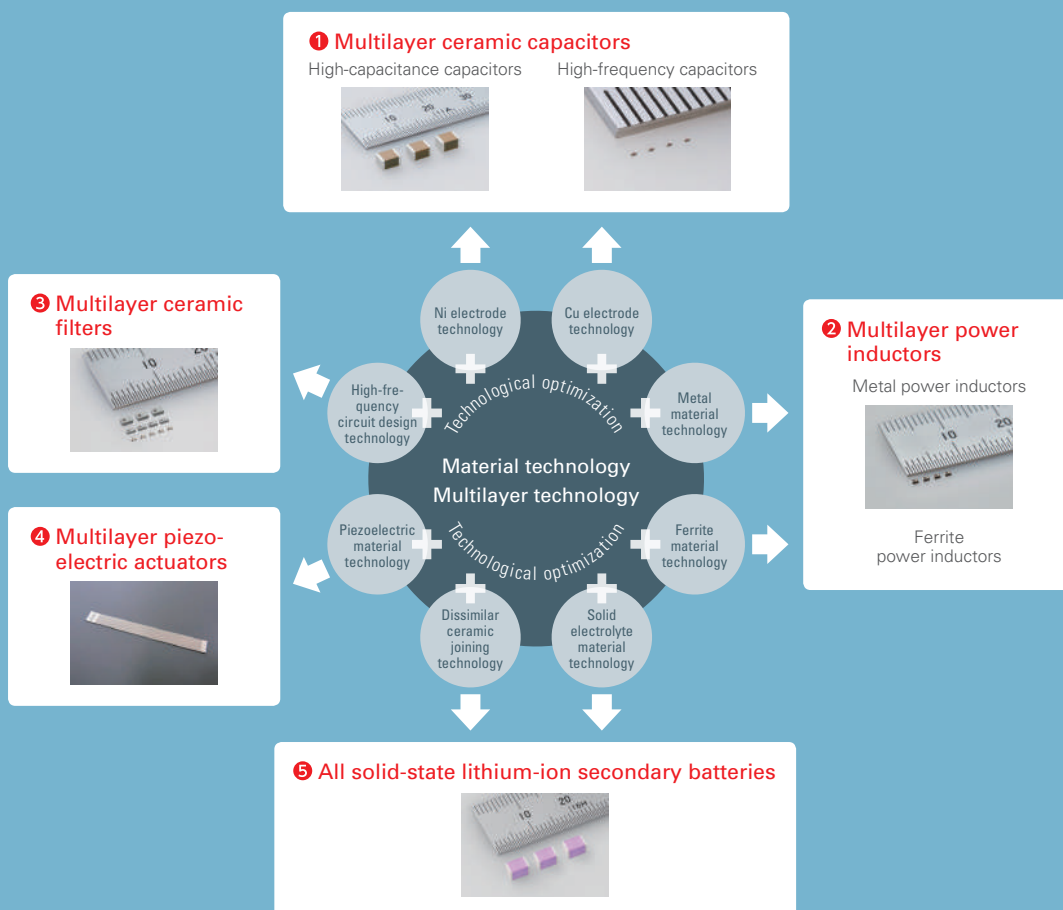
MLCC cross-section (dielectric layers are darker, electrode layers are lighter)

Feature

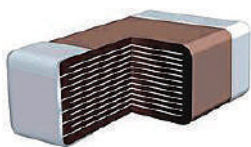
TAIYO YUDEN Value Creation — Product Development Centered on Material & Multilayer Technologies —

Product development using material and multilayer technologies

TAIYO YUDEN applies material and multilayer technologies developed to date to various products, providing characteristic products that underpin technological evolution in such areas as IoT, 5G and the computerization of automobiles.



① Multilayer ceramic capacitors (MLCCs)



■ What type of product is this?

MLCCs help store electricity temporarily, maintain stable voltage, and eliminate noise in electronic components installed all types of electronic devices found everywhere. TAIYO YUDEN offers a wide-ranging lineup of compact, thin and highly reliable MLCCs that feature high-capacitance owing to its material-based development capabilities.

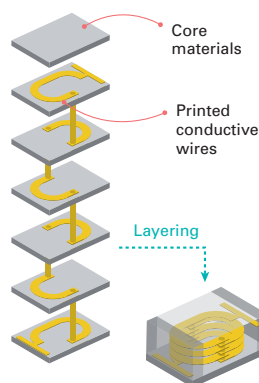
■ What is the market environment like?

Electronic devices are progressively becoming more compact and high functioning. Accordingly, installed MLCCs need to be smaller and have higher-capacitance, while the number of MLCCs per electronic device is increasing.

For example, smartphones are becoming thinner and more functional, which in turn is creating a particularly strong need for even smaller components. Electrostatic capacitance and rated voltage decrease as the MLCC size becomes smaller, so improving these features have enabled more compact MLCCs.

In addition, the computerization of automobiles has progressed in recent years, requiring MLCCs installed in these electronic circuits to have more compact designs/higher-capacitance as well as be highly reliable.

2 Multilayer-type metal power inductors



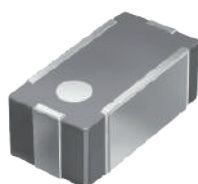
What type of product is this?

Inductors are mainly used to stabilize voltage and align electric signals in electronic circuits. The structure of inductors consists of wire-wound and multilayer types, with the latter facilitating smaller and thinner designs. In addition, the use of metal materials enables inductors to accommodate even larger current. Combining these features, we provide inductors that meet market needs in terms of smaller sizes and larger currents.

What is the market environment like?

IoT-related devices require highly efficient power circuits as they are being operated for long time periods whenever possible. Such devices include smartphones, wearable terminals and sensor networks, all of which have become increasingly high performance and multifunctional. These types of compact/thin devices require small/thin power inductors able to accommodate large current.

3 Multilayer ceramic filters



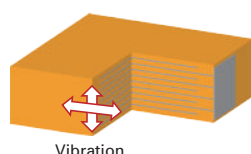
What type of product is this?

Multilayer ceramic filters are components used to select required frequencies (filtering) across a range from low to high bands based on a structure that combines MLCCs and multilayer inductors.

What is the market environment like?

5G (5th generation mobile communication system) has three characteristics: high speed/capacity, low latency, and numerous simultaneous connections. Accordingly, 5G will be used in even more frequency bands. Multilayer ceramic filters show promise as indispensable components for 5G-compatible smartphones.

4 Multilayer piezoelectric actuators



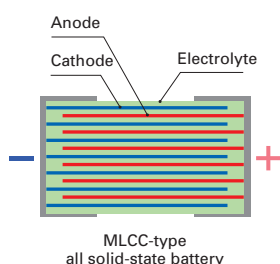
What type of product is this?

Multilayer piezoelectric actuators use piezoelectric materials with vibrating properties when added voltage to realize the sensation of pressing buttons on panels along with realizing slick and rough tactile sensations.

What is the market environment like?

Multilayer piezoelectric actuators are installed in onboard vehicle touch panels etc. With the greater use of switch-type flat panels and touch sensors in automobiles recently, tactile impression is required when manipulating switches to ensure safety while driving.

5 All solid-state lithium-ion secondary batteries



What type of product is this?

All solid-state batteries developed by TAIYO YUDEN use oxide-based solid electrolytes. The use of solid electrolytes provides superior safety, in principle eliminating concerns over ignition and rupturing. They feature a structure that uses multilayer technology as well as thinner/multilayer electrodes and electrolytes that enable greater electricity capacity, while greater thinness and capacity are both possible.

What is the market environment like?

Batteries with larger capacity are required for IoT, wearable and other mobile devices—all of which look poised to gain in popularity—given the progressive shift to smaller and thinner designs while performance and use duration increase. At the same time, greater safety is needed for wearable devices in terms of preventing battery ignition or aberrant heating. To this end, development has picked up for all solid-state batteries installed in such devices that are required to be compact, have large capacity and feature greater safety.

Section

2

STRATEGIES FOR THE CREATION OF VALUE

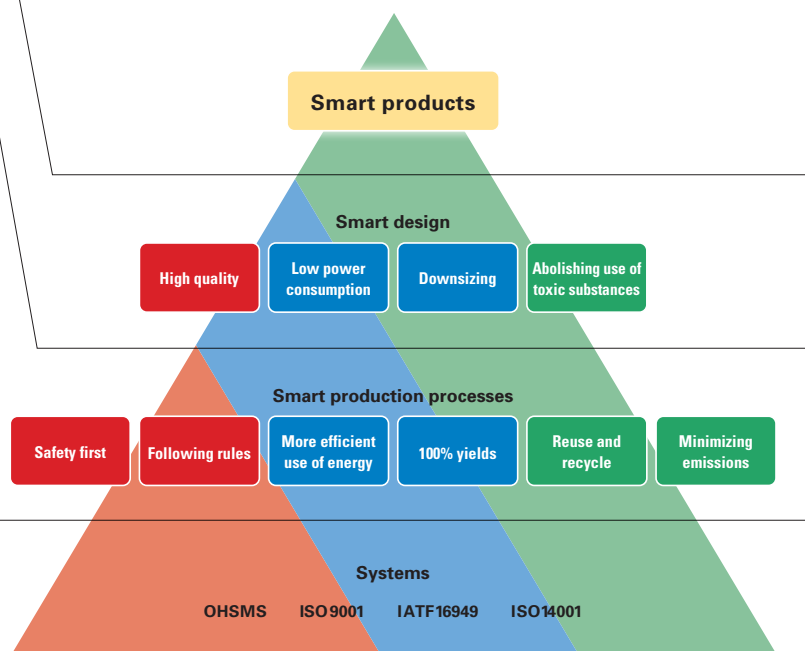
High quality	Products satisfying customer requests with high reliability
Low power consumption	Products delivering superior performance without consuming vast amounts of electricity
Downsizing	Products delivering high performance with few materials and thus contributing to end products fitting high functionality into a compact package
Abolishing use of toxic substances ...	Products not containing toxic substances
<hr/>	
Safety first	Production processes designed with safety in mind allow operators to work free from <i>muri</i> (overburden).
Following rules	Operating in accordance with standardized procedures holds the key to minimizing irregularities between items.
More efficient use of energy	We minimize the energy used in manufacturing products.
100% yields	Stable production of high-quality products requires not allowing rejects and other forms of <i>muda</i> (wastefulness) to arise.
Reuse and recycle	Whenever possible, we use reused and recycled goods as materials for production.
Minimizing emissions	Wherever possible, our production processes strive for zero levels for emissions and other forms of <i>muda</i> (wastefulness).

TAIYO YUDEN utilizes management systems that cover such areas as occupational health and safety, quality, and environment as the basis for its business operations in providing smart products. These management systems conform to OHSMS, ISO9001, IATF16949, and ISO14001.

The TAIYO YUDEN Group has established processes under the concept of “smart” in its development of products and services. We define the products that emerge as a result of these processes as “smart products,” and through the delivery of these smart products are endeavoring to instill a sense of excitement in our customers.

TAIYO YUDEN VISION

To be an excellent company that enjoys the trust and highest regard from our customers



Continued Growth in Needs as a Result of Greater Electronics Use

Needs for electronic components are expanding, and actual demand, although in varying degrees, is exhibiting an upward trend due to the proliferation of smart-phones and the greater use of electronics in automobiles and other products that had remained free of electronics until now.

Electronic devices ¥ about **58.3** trillion*

Devices that apply functions of electrons to perform active tasks such as amplification

Semiconductor devices

Integrated circuits

Electron tubes

Market Conditions for Electronic Components and Devices

¥ about **82.3** trillion*

2018 Result	\$824.9 billion
2019 Forecasts	\$754.9 billion
2020 Estimate	\$791.4 billion

* The estimate as of 2019 (dollar-based) calculated using the average exchange rate for 2019 (1 dollar = ¥109.0).

Note: Figures from 2019 Production Forecasts for the Global Electronics and Information Technology Industries, Japan Electronics and Information Technology Industries Association (JEITA); the electronic components and devices category is as defined in JEITA's statistical breakdown of global electronic component shipments

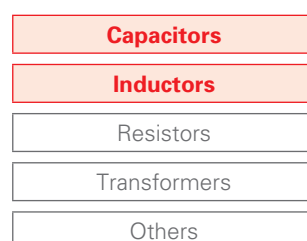
General electronic components

¥ about **24.0** trillion*

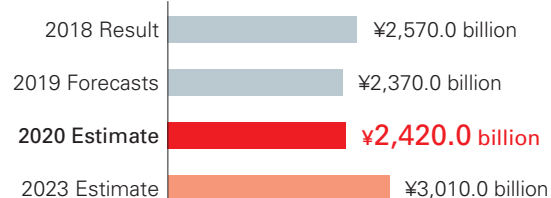
Components that work with and supplement electronic devices

Passive components

These devices store, control, separate, and perform other tasks on the flow of electrons supplied



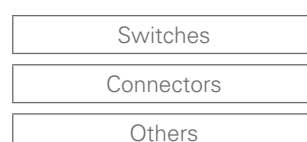
Capacitor market size



Source: Annual of Electronic Devices & Components 2020, Chunichisha Co., Ltd.

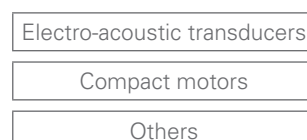
Connecting components

These devices connect, switch, and perform other tasks on electronic circuits and systems

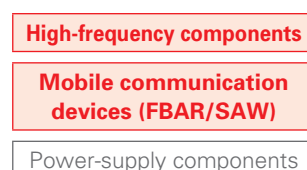


Transducers

These devices create sounds, torques, magnetic flux, and others



Other electronic components

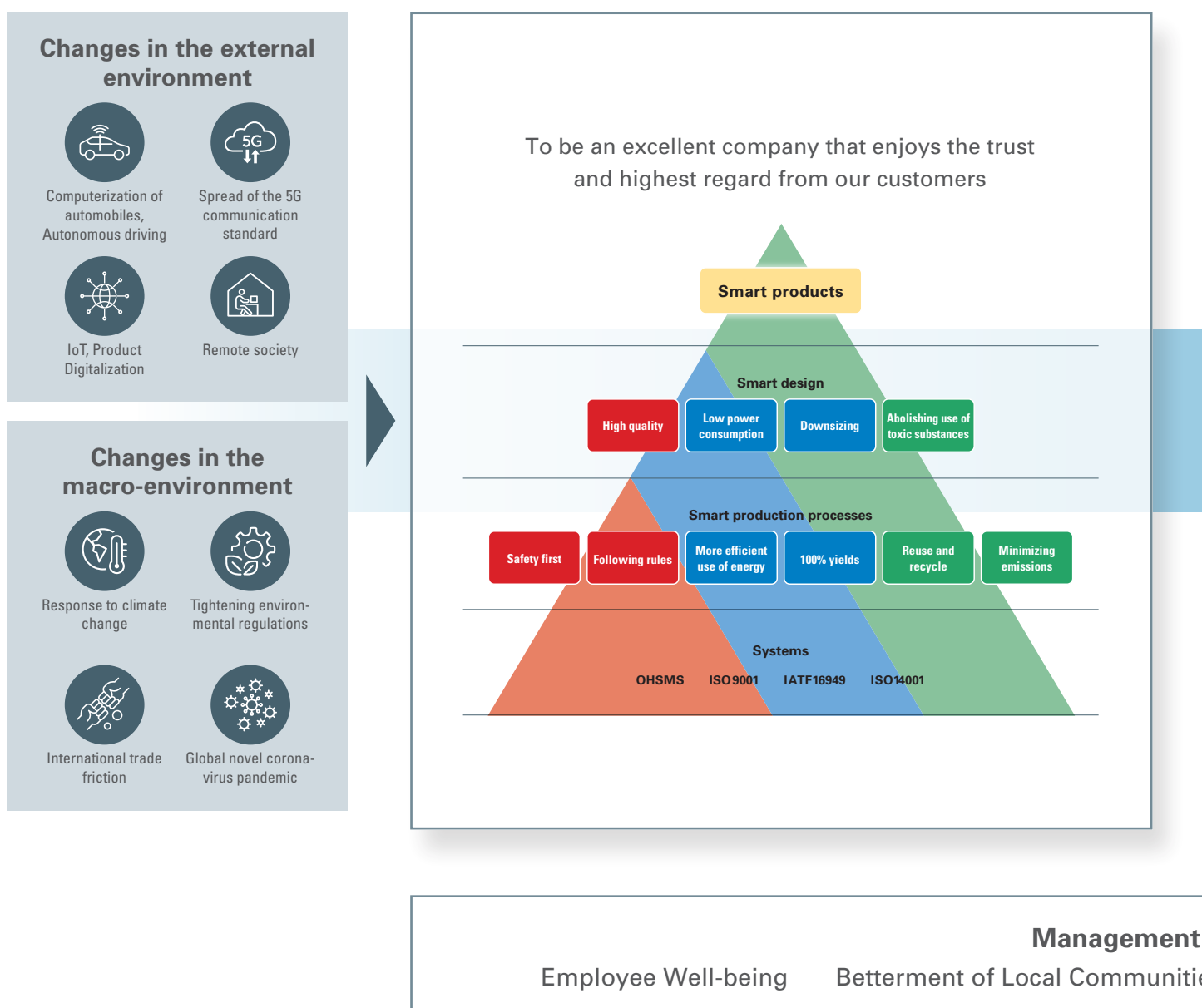


□ TAIYO YUDEN's business domains

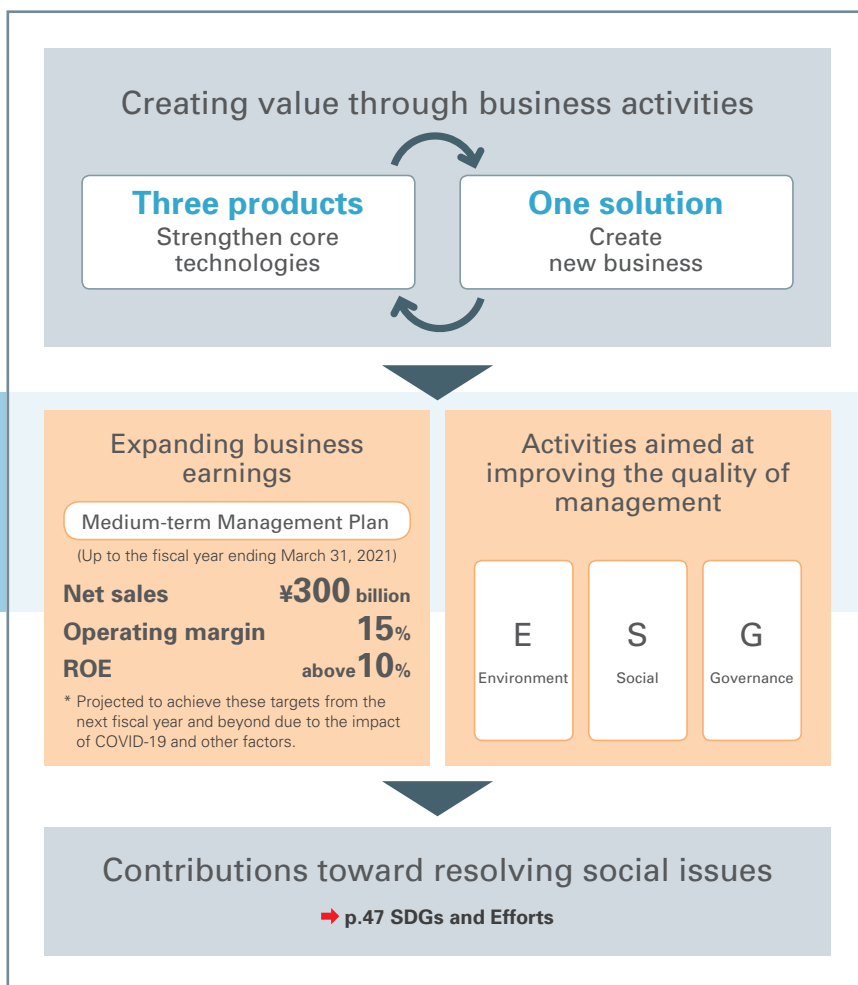
Business Model

Building on the management philosophy inherited from the founder and TAIYO YUDEN vision, we are actively engaged in the creation of products and services. Through business activities that respond flexibly to the ever-changing environment and efforts to improve the quality of management, we are endeavoring to resolve social issues and contribute to the creation of a safe, comfortable, and convenient society, while growing together with society on a sustainable basis.

TAIYO YUDEN VISION



TAIYO YUDEN EFFORTS



Value provided by TAIYO YUDEN

Using advanced technology to contribute to the creation of a safe, comfortable, and convenient society



Philosophy

es Responsibility to Provide Returns to Shareholders

Medium-term Management Plan

Realizing Growth on the Back of Increased Demand for Electronic Components

Basic Measures



Expansion of Focus Markets

Expand the sales composition ratio of focus markets to 50% in such fields as automobiles and IT infrastructure where growth is marked



Investment for Future Growth

Undertake capital investments of ¥150 billion in the three years between the fiscal year ended March 31, 2019 and the fiscal year ending March 31, 2021 to prepare for the explosive growth in demand for multilayer ceramic capacitors (MLCCs) due to the advent of the 5G era and other factors



Advancements in Manufacturing

Carry out the smart.E productivity improvement project centered on the manufacturing floor, utilize IoT and big data to eliminate wastefulness, inconsistency and overburden, and advance manufacturing

Returning Profits to Shareholders



Target a total return ratio of 30%, including the acquisition of treasury stock, based on efforts aimed at stably increasing dividends

Progress of Plan

Fiscal Year Ended March **2018**

Net Sales ¥244.1 billion, Operating Margin 8.3%, ROE 10.1% (10% target achieved)

- Sales composition ratio of focus markets (automobiles, IT infrastructure/industrial equipment): 32%.
- Capital investment: ¥24.5 billion; increased production capacity of MLCCs by 10-15% year on year.
- 2nd year of the smart.E project; productivity improvement of certain processes around 30% by visualizing production facilities and the labor force.

Fiscal Year Ended March **2019**

Net Sales ¥274.3 billion, Operating Margin 12.8% (10% target achieved), ROE 12.6% (10% target achieved). Upwardly revised operating margin target to 15%

- Sales composition ratio of focus markets: 39% (38% target achieved); upwardly revised target to 50%.
- ELNA CO., LTD., a company that is strong in the automotive market, converted to a wholly owned subsidiary in January 2019.
- Capital investment: ¥38.5 billion; increased production capacity of MLCCs by 10-15% year on year.
- NIIGATA TAIYO YUDEN CO., LTD. completed construction of a new plant, Building No. 3, a production base of MLCCs, in December 2018.
- 3rd year of the smart.E project; early detection and prevention of abnormalities utilizing AI technology.
- Undertook to acquisition of approximately ¥3.0 billion of treasury stock in February 2019.
- Upwardly revised the year-end dividend forecast from ¥10 to ¥11 per share (annual dividend from ¥20 to ¥21 per share).

Fiscal Year Ended March **2020**

Net Sales ¥282.3 billion, Operating Margin 13.2%, ROE 8.7%

- Sales composition ratio of focus markets: 41%; expand, working toward the target of 50%.
- Capital investment: ¥39.3 billion; increased production capacity of MLCCs by 10-15% year on year.
- 4th year of the smart.E project; domestic and overseas central monitoring of production, reduction of equipment operational loss.
- Undertook to acquisition of approximately ¥4.0 billion of treasury stock in June 2019.
- Upwardly revised the year-end dividend forecast from ¥11 to ¥15 per share (annual dividend from ¥22 to ¥26 per share).

Numerical targets

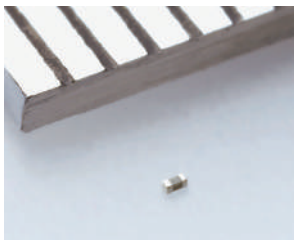
Net Sales ¥300 billion Operating Margin 15% ROE above 10%

*Achievement of the Medium-term Management Plan: While targets are for the fiscal year ending March 31, 2021, achievement is projected in the next fiscal year or after owing the impact of COVID-19 and other factors.

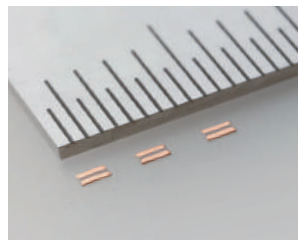
At a Glance

Capacitors

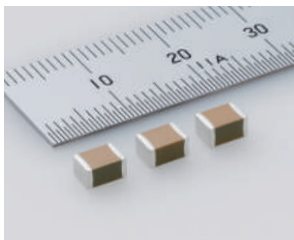
- Multilayer ceramic capacitors



0201 size (0.25mm×0.125mm)
ultra-small multilayer ceramic capacitors

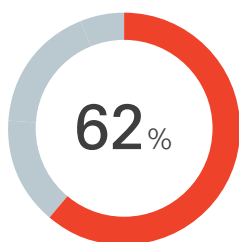


Ultra-thin multilayer ceramic capacitors
(0.6mm×1.0mm) with 0.064mm
thickness

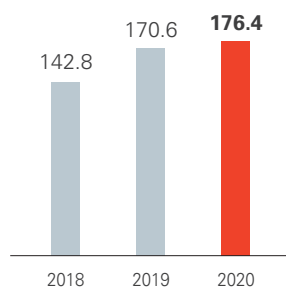


4532 size (4.5mm×3.2 mm)
small high-capacitance multilayer ceramic
capacitors with 1,000µF capacitance

**Net Sales Breakdown by
Product Classifications**
(Year ended March 31, 2020)



Net Sales
(Billions of yen)



We are focusing on the development of multilayer ceramic capacitors that are small and thin with high capacitance and high reliability. We are also continuing the development of cutting-edge multilayer ceramic capacitors by advancing our dielectric materials technologies, thin-film and high-capacitance technologies, and ultra-small capacitor production technologies.

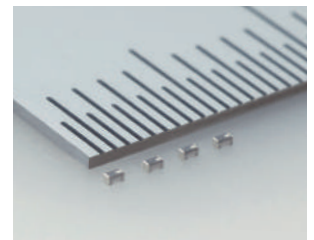
In the fiscal year ended March 31, 2020, sales for information, communication, automobile, and IT infrastructure/industrial equipment increased compared with the previous fiscal year. As a result, net sales increased 3.4% year on year to ¥176,457 million.

Ferrite and Applied Products

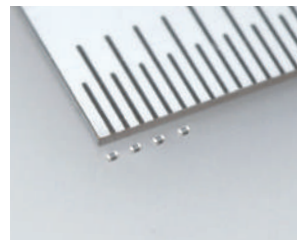
- Wire-wound inductors
- Multilayer chip inductors, and many other types of inductors



Metal power inductors MCOIL™

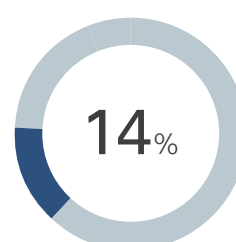


High-Q multilayer chip inductors
for high frequency applications

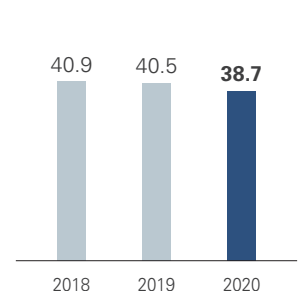


Ultra-small multilayer chip inductors

**Net Sales Breakdown by
Product Classifications**
(Year ended March 31, 2020)



Net Sales
(Billions of yen)

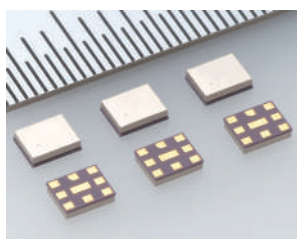


In addition to small, thin inductors with higher current, we are working on the development of large, high-reliability inductors and targeting automotive and industrial equipment applications. We are also developing competitive products by bringing about even greater sophistication in our materials development as well as our wire-winding and multilayer process technologies.

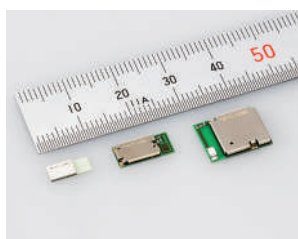
In the fiscal year ended March 31, 2020, year-on-year sales for such products as consumer, information, communication, and IT infrastructure/industrial equipment decreased. As a result, net sales decreased 4.5% year on year to ¥38,770 million.

Integrated Modules & Devices

- FBAR/SAW devices for mobile communications
- Power supply modules
- High frequency modules
- Embedded-parts multilayer wiring substrate EOMIN™



FBAR/SAW devices for mobile communications

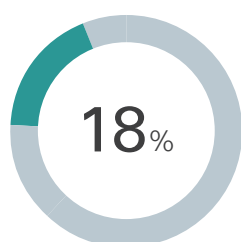


Wireless device

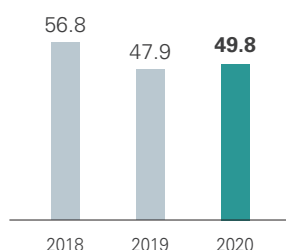


Multilayer ceramic filters

Net Sales Breakdown by Product Classifications
(Year ended March 31, 2020)



Net Sales
(Billions of yen)



We are focusing on the development of new products featuring improved film bulk acoustic resonator/surface acoustic wave (FBAR/SAW) filter device technologies for mobile communications, the development of fifth-generation (5G) mobile communications system, and on the development of solutions-based products intended for the focus markets that combine the Company's core technologies.

In the fiscal year ended March 31, 2020, sales of FBAR/SAW devices for mobile communications, etc., increased compared with the previous fiscal year. As a result, net sales increased 3.9% year on year to ¥49,808 million.

Others

- Aluminum electrolytic capacitors
- Power storage devices

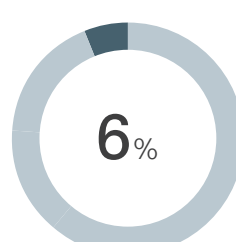


Aluminum electrolytic capacitors

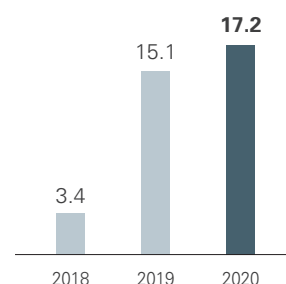


Lithium ion capacitors

Net Sales Breakdown by Product Classifications
(Year ended March 31, 2020)



Net Sales
(Billions of yen)



We are concentrating our efforts on the development of power storage devices with an eye to entering focus markets.

In the fiscal year ended March 31, 2020, net sales increased 13.8% year on year, to ¥17,292 million, due to such factors as the inclusion of aluminum electrolytic capacitors from subsidiary ELNA CO., LTD. from the second quarter of the previous fiscal year.

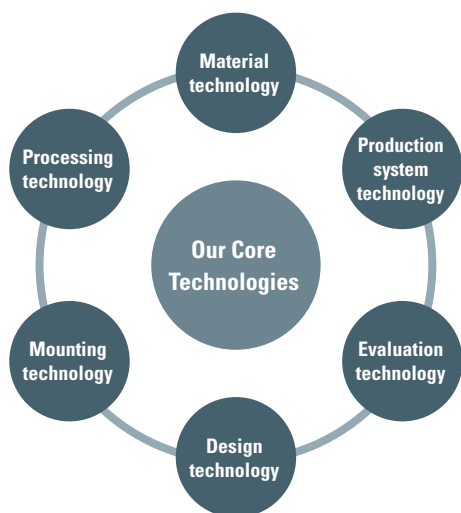
Research and Development Activities

The Foundation of Our Research and Development Activities

Hikohachi Sato, the founder of TAIYO YUDEN, was a researcher in ceramic materials. Since its establishment, TAIYO YUDEN has believed that product commercialization should start from the development of materials. This has been one of the strengths of TAIYO YUDEN, and has resulted in us creating many products that have been “world firsts.”

The TAIYO YUDEN Group’s research and development activities are aimed at further honing the many elemental technologies it has so far developed to create products that contribute to the ongoing development of electronic devices. In particular, the Group is focusing on the development of leading-edge products and high reliability products, as well as on creating new businesses by proposing solutions.

Over the past few years, we have been working to develop small all-solid-state batteries ideal for embedding in wearable and healthcare devices.



Achievement of Our Vision through Development of Smart Products

The TAIYO YUDEN Group aims to manufacture “smart products” and is actively working to develop and supply steadily such products.

We develop smart products to eliminate the three M’s— muda (wastefulness), mura (inconsistency) and muri (overburden)— over their entire life cycle from design through production, sales, and incorporation into the final product right up to final disposal, to add value for customers and local communities we serve as well as our employees.

We believe that our research and development activities aimed at creating a higher standard of smart products will enable us to realize our vision of “becoming an excellent company that enjoys the trust and highest regard from our customers.”

— Research and Development Principles — “Innovative advance”

Technology precedence

Promote leading edge technological development as the precursor to innovative product development and become a global leader in technology

Reproducibility

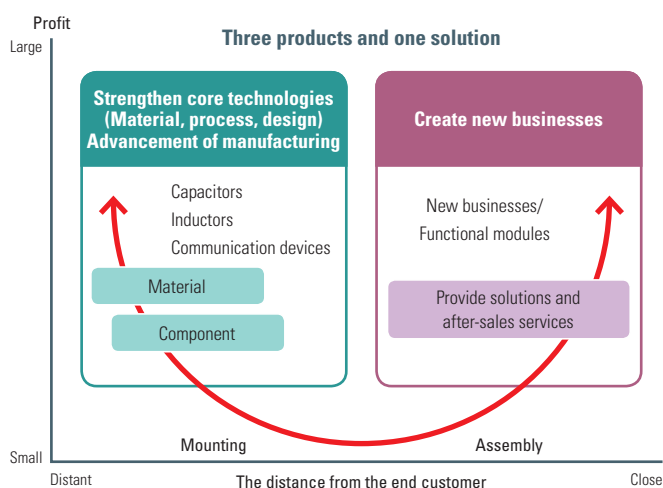
Logically verify the reproducibility of the technology we develop

Technological applicability

Devise technologies which can be applied not only to specific products but also to other areas useful to the markets we serve

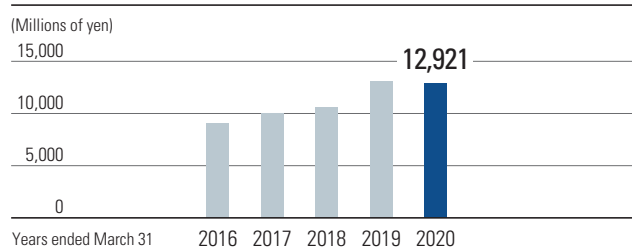
Environmental consideration

Develop technologies that are feasible and applicable economically to our manufacturing process and that meet critical environmental standards



R&D expenses

We recognize that continuing innovations and advancement in our technologies through R&D is the foundation for the Group to create the future. With this belief, we will continue to invest in R&D activities.



R&D Center, TAIYO YUDEN's Research Facility (Takasaki City, Gunma Prefecture)

As we were committed to continuing to create the world's best products and uphold our claim to be "the TAIYO YUDEN of technology and the TAIYO YUDEN of development," we opened the R&D Center in 1998. In 2003, we established an Anechoic Chamber Test Facility in the same complex, and accelerated our proactive R&D activities in the field of radio communication. Currently, the R&D Center of the TAIYO YUDEN Group drives development and technological progress and takes a role of a foundation of creativity focusing on the future.



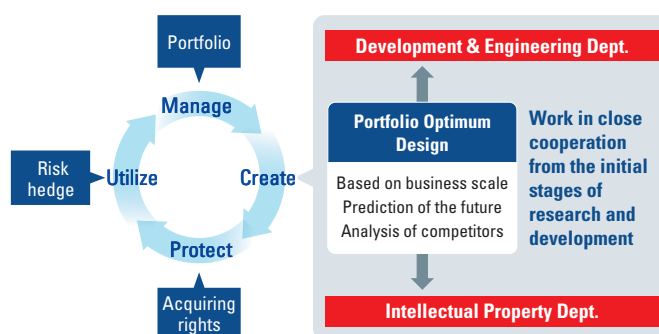
Activities on Intellectual Property Rights

Basic Policy

We, the TAIYO YUDEN Group, endeavor to obtain, maintain and protect intellectual property rights for proper use, and also to respect the intellectual property rights of third parties, in accordance with our CSR Code of Conduct.

Protection of Intellectual Property Rights

At TAIYO YUDEN, the Intellectual Property Department and the Development and Engineering Department work in close cooperation with each other from the early stages of developing new technologies and obtaining intellectual property rights. In addition, we pursue a unique management approach in a way that is optimized for each of our businesses to create, protect, and utilize intellectual property.



DEVELOPMENT INTERVIEW

Nobuhiro Sasaki

General Manager, Materials Research & Development Department



Leveraging Our Material Technology to Differentiate Our Products

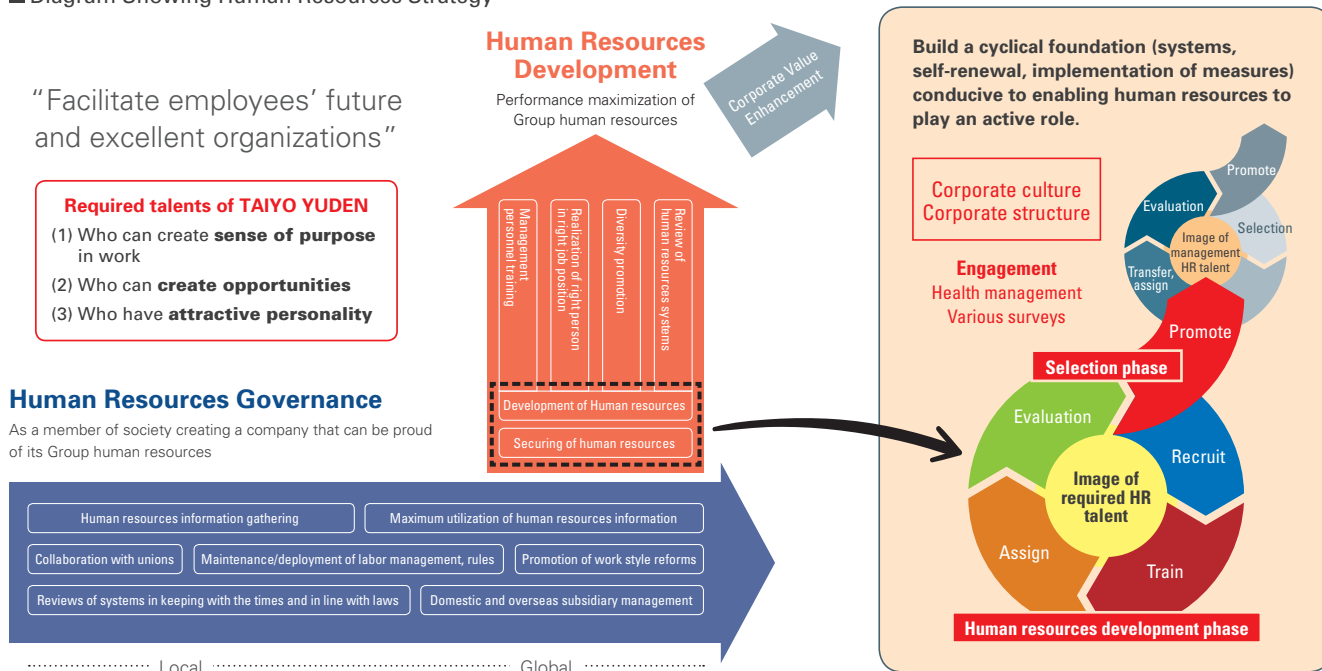
TAIYO YUDEN employs barium titanate in the manufacture of its mainstay multilayer ceramic capacitor (MLCC) products. A major mission of the Materials Research & Development Department is to produce barium titanate, which is integral to the manufacture of high-performance, high-quality products, through a variety of measures. This includes the development and application of innovative raw material combination, the use of additives, and adjustments to heating conditions. It is not too much to say that this mission is critical to the quality of our products. TAIYO YUDEN takes great pride in the competitiveness of its materials manufacturing process, based on many years of experience and a proven track record nurtured through repetitive trial and error. In addition, because we are involved in the entire process from material development to completion, a great strength is our ability to develop optimal materials that best fit the production process.

As an inherent strength, our material technology also enables us to develop new materials including the metallic magnetic material used in our metal power inductor products. Moving forward, we will undertake research and development focusing on materials as well as a host of other activities. Through these means, we will continue to create new businesses and differentiate ourselves through materials, as we work to find solutions.

Human Resources Strategy

Based on its founding philosophy, the TAIYO YUDEN Group aims to bolster the quality of life of our employees by respecting the personality and individuality of each person, and by recognizing people's diverse backgrounds and characteristics. We continuously make efforts to develop a global workforce built on different cultures that can effectively implement the Company's management strategy, and innovative human resources who have the high level of creativity and specialties to create new value that contributes to society. Based on our personnel mission of "Facilitate employees' future and excellent organizations," we are focused on ensuring an environment where all employees and organizations can work to the best of their abilities, and through the acceleration of human resources training contribute not only to the development of corporate value, but also pursue their own personal growth.

■ Diagram Showing Human Resources Strategy



TOPICS

Achieving three-star "Eruboshi" certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace (2020.02.06)

TAIYO YUDEN has earned a "three-star" (third level) "Eruboshi" ("L-Star", and L stands for 'Lady', 'Labour', 'Lead', etc.) certification, symbolized by a mark granted to companies for their outstanding initiatives to promote active roles for women in the workforce. "Eruboshi" certification, awarded by the Japanese Minister of Health, Labour and Welfare, is a system to recognize those companies that have formulated and submitted action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and that have satisfied criteria in the five categories of recruitment, continued employment, working style including working hours, proportion of women in managerial positions, and diversity of career courses.



Certified as 2020 Outstanding Entity Engaging in Health and Productivity Management (2020.03.02)

TAIYO YUDEN has received certification as a "2020 Outstanding Entity Engaging in Health and Productivity Management" from the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (the Japan Health Conference). The Company has set forth "employee well-being" as one principle of its management philosophy, and along with its pursuit to be a workplace in which employees can go about their duties with peace of mind, aims to maintain employee health and respect the personality and individuality of each person based on recognition of people's diverse backgrounds and characteristics. This certification was granted in recognition of the systems and structures put in place to enhance employee health.



Human Resources-Related Data (TAIYO YUDEN CO., LTD. full-time employees)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	
Ratio of managers and supervisors among female employees (number of managers and supervisors) (as of April 1)	7% (42)	8% (50)	10% (65)	To create an environment where many motivated women can play active roles, we have formulated and are implementing an action plan to promote women's empowerment from April 2019 to March 2021. Diversity Promotion Activities https://www.yuden.co.jp/or/company/sustainability/society/diversity/
Number of new graduates hired (as of April 1)	72 (of whom 29% [21] women)	96 (of whom 36% [35] women)	101 (of whom 43% [43] women)	
Ratio of those taking paid leave (as of March 31)	77%	72%	—	So that each and every person can demonstrate his or her performance to the maximum extent, the Company is working to create comfortable work environments.
Ratio of those returning from child care leave (as of March 31)	100%	100%	—	
Average number of years of continuous employment (as of March 31)	Overall: 18.3 years (Men: 18.1 years, women: 18.9 years)		Overall: 18.2 years (Men: 18.2 years, women: 18.3 years)	—

Initiatives for the future of employees and organizations

1. Promotion of diversity

The TAIYO YUDEN Group benefits from diversity in its endeavors to undertake "3 types of change," namely, with 1. Awareness, 2. Communication and dialogue, and 3. Changing systems and schemes. Our aim is for all employees to seize upon their maximum potential and unleash new creativity, thus strengthening competitiveness. This will be accomplished by carrying out measures to train employees and to create a nurturing environment that fosters a mindset which enables diverse human talent to play a full and active role.

2. Quality education

Quality affects the quality of all work, not just the manufacturing site. TAIYO YUDEN has been providing five in-house quality trainings since this fiscal year so that participants can understand and practice the scientific methods and ideas that will help them change the way they work. We aim to improve the quality of the TAIYO YUDEN Group by encouraging them to understand and practice the basic methods of quality control and methods that are effective in problem solving and data processing for all occupations and industries.



3. Leader development

TAIYO YUDEN has a training program for talents who will be responsible for TAIYO YUDEN after 5-10 years. The program started last fiscal year, and a total of 80 people took the course. In the first year, we learned the method with the theme of learning organization (organization that finds and solve problems by ourselves), and in the second year, we carried out the workshop of thinking about strategies by imagining 10 years later. This is a program that takes three years to learn the skills and ways of thinking for the next generation, not one-off training.



4. Engagement survey

In order to understand and strengthen the current organizational strength, we conducted an engagement survey last fiscal year (a survey of TAIYO YUDEN employees with a response rate of 88.5%). We quantitatively understand the strengths and weaknesses of an organization from the perspective of employee engagement, and for each weakness, we devise solutions and work to improve them. In the future, we plan to carry out it regularly and check the progress of improvement.

Section

3

FOUNDATION UNDERPINNING VALUE CREATION

Roundtable Discussion with the Outside Directors

To realize sustainable growth and increase corporate value over the medium to long term, the TAIYO YUDEN Group is promoting the construction of a corporate governance system that enables transparent, fair, rapid, and decisive decision-making. Outside Directors Masashi Hiraiwa, Seiichi Koike and Emiko Hamada have offered their opinions on the current status of TAIYO YUDEN's governance and issues for the Company's focus moving forward.

Masashi Hiraiwa
Outside Director



Emiko Hamada
Outside Director



Enhancing the Structure of Corporate Governance

Koike: It has been two years since I became an Outside Director at TAIYO YUDEN, and I feel that the governance system is being strengthened. Last year, Ms. Hamada was appointed, making it now three of the eight members of the Board of Directors who are Outside Directors. The respective compositions of the Board of Directors and the Audit & Supervisory Board, as well as the areas of expertise of their members, are very well balanced. As all the members make various statements from diverse perspectives based on their different careers and expertise, Board of Directors' meetings are being revitalized.

Hiraiwa: This is my fifth year of my tenure as an Outside Director. I also feel that the discussions at Board of Directors' meetings have deepened more than ever with the addition of both you Mr. Koike and you Ms. Hamada to the Outside Directors. Originally, the main role of Outside Directors was

that of supervising the management team, in other words of protecting them, but in recent years they have additionally been called upon to provide proactive support to improve corporate value. Thankful that you two who possess manufacturing knowledge have joined us, I think that we are increasingly entering into more specific discussions, such as what kinds of issues are being faced in each business and the kinds of risks that each is facing, and I think that is leading to deeper discussions at Board of Directors' meetings.

Evaluation of Board of Directors' Effectiveness

Hiraiwa: In its efforts to strengthen governance, TAIYO YUDEN is also focusing on evaluating the effectiveness of its Board of Directors. Following the introduction this time of a new evaluation system with an external organization, there has been an unprecedented awareness.



Seiichi Koike
Outside Director

Roundtable Discussion with the Outside Directors

Hamada: Effectiveness evaluations are conducted in the form of a questionnaire. The responses are our opinions as the persons concerned and are subjective, but by having an external organization set the questions, we become more aware of thinking about our work from a more objective perspective, and I feel that the external perspective is very effective. Furthermore, if this is continued for a few years, I believe that the accumulation of improvements in a certain period will be considerable, since changes, such as where things have improved, and points in need of further improvement are clarified, and PDCA cycles can be followed.



Koike: In an era of increasing uncertainty and incessant change, there is no way that can be said to be best practice for how boards of directors should function. I think it is necessary to constantly keep up efforts to improve their effectiveness. In TAIYO YUDEN's effectiveness assessment two years ago, the establishment of a forum for discussion on business risks was recognized as an issue, and subsequently the Board of Directors deepened discussions on that very subject.

The Nomination Committee and the Remuneration Committee

Koike: Participation and the giving of advice in an appropriate manner on matters of remuneration and nomination count among the most important roles for outside directors. Looking back on its history, TAIYO YUDEN's remuneration system has been reviewed in an appropriate and timely fashion as the business environment and performance levels have changed. We recognize that the current remuneration system is well thought out and designed, however here and there some tasks remain. The remuneration system for directors who execute business has high incentives for improving short-term business performance, but not so much over the medium to long term. I think that what is needed is to devise a way so

that remuneration is linked a little more to improvements in corporate value over the medium to long term.

Hamada: There is no doubt that medium- to long-term incentives are important. However, many companies are trying to figure out how best to achieve them. TAIYO YUDEN is also in the process of building and giving consideration to an optimal system.

Hiraiwa: The area of director remuneration is not alone in being beset with difficult problems, as their nomination process is, too. The Nomination Committee is required to report on the nomination and dismissal of managers, but to actually judge the aptness of the nomination or dismissal requires an evaluation of the manager. In that case, how should the evaluation of the manager be conducted? Short-term numerical evaluations are simple, but you need to look at managers' performance over some years to evaluate whether they are improving corporate value over the medium to long term. In contrast, competency evaluations are not easy, because we are probably not always working closely with one another. How to properly evaluate managers is one of the issues that should be considered on an ongoing basis.



Aiming to Continuously Increase Corporate Value from a Long-Term Perspective

Koike: As pointed out in actual evaluations of the effectiveness of the Board of Directors, it seems that TAIYO YUDEN has thus far not often held discussions with a focus on the medium to long term, such as five or 10 years from now. I think this is due to the fact that, in the electronic component industry, where the market environment changes incessantly in a short span of half a year or several months, we have had no choice but to mainly discuss strategies tailored to short-term market trends.

However, stakeholders are nowadays very interested not only in single-year performance, but also in solving major social issues that must be addressed from a medium- to long-term perspective, and in initiatives that address ESG, such as the environment and human resources.



When discussing from a medium- to long-term perspective, instead of setting our goals as an extension of the present, in a society that is undergoing incessant change and facing many challenges, we envision that TAIYO YUDEN will contribute to that society as its member and continue to exist. From there I think we would need to backcast to consider the ideal form.

And I think it is important to discuss investment in intangible assets, which is the source of competitive advantage. In addition to investing in human capital and R&D, I believe that the key to TAIYO YUDEN's sustainable growth is whether the Company is able to take drastic measures in the vertical division and partial optimization of its organization and whether it can achieve overall flexible optimization.

Hamada: I too think that achieving sustainable growth will necessitate efforts to develop and utilize human resources, which are the assets of a company, and to acquire human resources who possess the perspectives, skills, and capabilities that, up to now, have not been found in TAIYO YUDEN. In the new era, I think that a future-oriented human resources strategy matched to those efforts will gain in importance.


In the meantime, centered on multilayer ceramic capacitors (MLCCs), TAIYO YUDEN's business performance is robust and given added impetus by burgeoning markets, such as 5G in the telecommunications industry and CASE in the automobile industry. I think, however, that the time is approaching when we should be discussing how this business portfolio might change in the years to come. Should we enhance our product lineup centered on MLCCs? What kind of customers would we sell to? Should we build multiple markets or rather expand the customers within one market as well? I consider that there are a number of options like these, but unless we change to systems that are able to complement each other with multiple pillars, I think that difficult situations will arise in the future.

Hiraiwa: Up to now, TAIYO YUDEN has continued to grow steadily, centered on MLCCs, and has reached the point where it can aim for sales of ¥300 billion. However, I think the time is coming when sincere discussion about what is needed to provide new value to a society that is changing at a remarkable speed due to efforts for SDGs and the effects of the COVID-19 pandemic, and to become a company that grows sustainably with society is required. I think that, depending on their scale, companies will change their behavior and the perception of their surroundings, and the scenery they see will change. I hope that we will continue to grow and create new social value in the years to come.



Executives

As of June 26, 2020

	Name	Career summary	Attendance at meetings of the Board of Directors and Audit & Supervisory Board in the fiscal year ended March 31, 2020
Directors			
	Representative Director Shoichi Tosaka	Joined TAIYO YUDEN in 1979, and was mainly engaged in materials development and technological development. Subsequently, in charge of the Electronic Components Business, R&D/engineering, and quality assurance. Appointed Director in 2006, and President and Representative Director in November 2015.	100% (18/18 times)
	Director Shinji Masuyama	Joined TAIYO YUDEN in 1980 and was engaged in production technology and system development of electronic components for many years. Appointed Operating Officer in 2004, and in charge of the Electronic Components Business. Appointed Director in 2013. In charge of management planning in 2016. Appointed Executive Vice President in July 2020, and in charge of 1st Business.	100% (18/18 times)
	Director Katsuya Sase	Joined TAIYO YUDEN in 1986. Engaged in the development of multilayer inductor production technologies, was subsequently assigned to Capacitor Product Division in 1996. Appointed Operating Officer in 2013, and in charge of Capacitor Product Division. Appointed Director in 2016, and in charge of Electronic Components Business. In charge of management planning from July 2020.	100% (18/18 times)
	Director Osamu Takahashi	Joined TAIYO YUDEN in 1980. Assigned to quality assurance and materials technology divisions, was engaged in sales promotion and marketing. Subsequently, has been involved in product planning, management planning and financial divisions. Appointed Officer in 2003, and Director in 2011. In charge of Integrated Module & Device Business in 2016. In charge of 3rd Business from 2019.	100% (18/18 times)
	Director Kazuya Umezawa	Joined TAIYO YUDEN in 1983 and was placed in charge of the technological development of multi-layer ceramic capacitors. Appointed Senior Officer in 2001, with responsibilities including marketing as well as new business promotion. He was appointed Director in charge of sales and new business planning development from June 2019.	100% (13/13 times)*1
	Outside, Independent Director Masashi Hiraiwa Outside Independent	Admitted to Japan Federation of Bar Associations and joined OHARA LAW OFFICE in 1981. After serving as a Supervisory Officer at LCP Investment Corporation (currently Invincible Investment Corporation) and serving as a Supervisory Officer at Japan Logistics Fund, Inc., he was appointed as an Outside, Independent Director of the Company in June 2016.	100% (18/18 times)
	Outside, Independent Director Seiichi Koike Outside Independent	After working for Toyo Kogyo Co., Ltd. (currently Mazda Motor Corporation), from 1980 to 1982, Mr. Koike joined Honda R&D Co., Ltd. After gaining experience in the positions as General Manager of Advanced Material Research Laboratory, and General Manager of Automobile R&D Center Brazil, he was appointed Executive Officer of Honda Foundry Co., Ltd. In 2008. After serving in several positions including Director and Audit & Supervisory Board Member of Honda Foundry Co., Ltd., he was appointed as an Outside, Independent Director for the Company in June 2018.	100% (18/18 times)
	Outside, Independent Director Emiko Hamada Outside Independent	Joined TAIYO YUDEN in 1984. After leaving the Company in 2007 and taking up posts that included professorships at the Center for Social Contribution and Collaboration of Nagoya Institute of Technology (NiTech), in 2015 Ms. Hamada was the Third Sector Program Officer of Adaptable and Seamless Technology transfer Program through targetdriven R&D (A-STEP) of Japan Science and Technology Agency. In 2016, Ms. Hamada became a part-time Lecturer at NiTech. In 2017, she was appointed an Outside Director of NGK INSULATORS, LTD. Ms. Hamada was newly appointed an Outside, Independent Director of the Company in June 2019.	92.3% (12/13 times)*1
Audit & Supervisory Board Members			
	Audit & Supervisory Board Member Toshio Mishuku	Joined TAIYO YUDEN in 1980 and was engaged in development and basic research at general technical research institutes as well as in the technologies and manufacture of circuit products. Via positions that included Human Resources and General Affairs, Mr. Mishuku was appointed Operating Officer in 2007 and placed in charge of human resources, general affairs, intellectual property, legal, and CSR. In 2016, Mr. Mishuku was appointed Senior Operating Officer and, in June 2019, as an Audit and Supervisory Board Member.	Board of Directors 100% (13/13 times)*1 Audit & Supervisory Board 100% (13/13 times)*1
	Audit & Supervisory Board Member Kazuyuki Oshima	Joined TAIYO YUDEN in 1980. After engaging in business and sales planning, serving as a secondeed at a subsidiary in Singapore, and undertaking public relations duties, Mr. Oshima was involved in Ferrite Business. Appointed an Operating Officer in 2010, in charge of sales and product planning, electronic components sales planning and operation, and global SCM development. Appointed Senior Operating Officer in 2016 and subsequently Audit & Supervisory Board Member in June 2020.	Board of Directors —*2 Audit & Supervisory Board —*2
	Outside, Independent Audit & Supervisory Board Member Hajime Yoshitake Outside Independent	Joined the Kyowa Bank Ltd. (currently Resona Bank, Limited) in 1979. Concurrently appointed Lecturer at Professional Graduate School of Meiji University in 2007. Appointed as a member of the Board of Directors of the Institute of Internal Auditors-Japan in 2008. Subsequently, appointed as an Outside, Independent Audit & Supervisory Board Member of the Company in June 2016 after serving at Resona Holdings, Inc. as an Executive Officer and General Manager of the Internal Audit Division.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 100% (22/22 times)
	Outside, Independent Audit & Supervisory Board Member Tomomi Fujita Outside Independent	Ms. Fujita was admitted to the Japan Federation of Bar Associations in 2003. Via a position as Partner at Kitahama Partners, she became a Partner at Innovent in 2016 and was appointed Assistant Lecturer at KYOTO UNIVERSITY LAW SCHOOL in 2018. Ms. Fujita was appointed as an Outside Director (Audit & Supervisory Committee Member) of TAKUMA CO., LTD. and as an Outside, Independent Member of the Company's Audit and Supervisory Board in June 2019. Ms. Fujita was also appointed Vice President of Licensing Executives Society Japan in February 2020.	Board of Directors 100% (13/13 times)*1 Audit & Supervisory Board 100% (13/13 times)*1

Principal area of expertise						
Corporate management	Technology/R&D	Sales/marketing	International experience	Finance/accounting	Legal	Committee membership
●	●					Nomination Committee Remuneration Committee
●	●			●		
●	●					
●		●	●	●		
●	●	●				
			●		●	Nomination Committee Remuneration Committee
●	●		●			Nomination Committee Remuneration Committee
	●	●				Nomination Committee Remuneration Committee
●			●			Remuneration Committee
●		●				
●			●	●		Nomination Committee
					●	

Operating Officers

President and
Chief Executive Officer

Shoichi Tosaka

Executive Vice President

Shinji Masuyama

Senior Executive Operating Officer

Katsuya Sase

Executive Operating Officer

Osamu Takahashi

Kazuya Umezawa

Toshimitsu Honda

Senior Operating Officer

Tomomitsu Fukuda

Susumu Higuchi

Mitsuo Takagi

Hirokazu Chazono

Operating Officer

Osamu Ikata

Shinya Miyazawa

Toshiyuki Watanabe

Shunji Murai

Iwao Fujikawa

Notes:

- Attendance by Directors Kazuya Umezawa and Emiko Hamada and Audit & Supervisory Board members Toshio Mishuku and Tomomi Fujita refers to meetings of the Board of Directors and the Audit & Supervisory Board after their appointment on June 27, 2019.
- Kazuyuki Oshima was appointed as a member of the Company's Audit & Supervisory Board on June 26, 2020. Accordingly, he did not attend any meetings of the Board in the fiscal year ended March 31, 2020.

Committed to Solving Social Issues

The International community came together at the United Nations Summit in 2015 to adopt and call on companies to work toward achieving 17 Sustainable Development Goals (SDGs). In support of this international effort and following our corporate philosophy and the upcoming needs of an AI and IoT-based society, the TAIYO YUDEN Group remains committed to resolving social issues by working to clarify priority issues.

Basic Stance Regarding CSR Activities

TAIYO YUDEN's management philosophy is to put into action its three principles: supporting "employee well-being", "betterment of local communities," and taking "responsibility to provide returns to shareholders." The Company believes that the mission of management and social responsibility of the Company is to support continued development of its business while serving society and public interests and ensuring public nature of our business with a global perspective.

TAIYO YUDEN's vision is to "become an excellent company that enjoys the trust and highest regard from our customers." To this end, we will create smart products that meet market

needs so that our products are used in every market of a broad range of fields and aim to expand our business while also raising economic value of the Company. Furthermore, we will fulfill our social responsibility by meeting and even surpassing growing and more sophisticated requirements as well as expectations of stakeholders, and strive to increase social value of the Company.

To accomplish these aims, we will develop, manufacture and sell smart products that are safe and high quality and take responsibility for initiatives we conduct in areas of labor, human rights, safety and health, the environment as well as ethics as we continue our CSR activities.

CSR Activities Promotion Framework

In the Group's CSR activities, overall management is provided by the Internal Control Committee. The promotion organization is comprised of officers in charge and HQ divisions appointed for each provision of the CSR Code of Conduct (Code of conduct regarding social responsibilities of TAIYO YUDEN Group)

and each applicable risk, and management is carried out according to a system (the Compliance and Risk Management System) implemented by each group company in accordance with the activity policy and rules in common established by the promotion organization.

Compliance and Risk Management

At TAIYO YUDEN compliance and risk management is a key activity of our CSR management system.

The laws and regulations that require compliance are listed by organization along with the risks that might adversely affect business, and regulatory compliance procedures and risk mitigation measures are drafted and implemented as part of the system.

New laws/regulations and risks are regularly added to the list and the compliance procedures and mitigation measures pertaining to existing laws/regulations and risks are reassessed for aptness each fiscal term. We are making thorough efforts to achieve regulatory compliance and prevent and minimize risks.

 <https://www.yuden.co.jp/or/company/sustainability/management/>

Specific risks and their countermeasures

Measures aimed at business continuity

The TAIYO YUDEN Group could suffer shutdowns or see significant damage at its manufacturing facilities due to natural disasters such as earthquakes, typhoons, floods, or accidents. In response to this risk, the Group implements the following three measures, and by calling on suppliers to also implement and follow these same measures, is constructing a business continuity plan (BCP) covering the entire supply chain as part of its effort to create a stable supply system.

- Securing sufficient inventory until production lines can be restored
- Dispersing production facilities throughout the world
- Having a dispersed lineup of material and parts suppliers

Adapting to changing environmental regulations

The TAIYO YUDEN Group is subject to a variety of environmental laws and regulations in each of the countries in which we operate, including regulations related to hazardous substances, the disposal of industrial waste, and the prevention of pollution in the air, water, and soil. Regulations in this area are becoming stricter with each passing year, raising the possibility of additional restrictions on our business activities. In order to adapt to the changing regulatory environment, the TAIYO YUDEN Group has been working to continue its business without disruption, including by ending the use of hazardous substances and launching new processing facilities.

CSR Management and SDGs

The TAIYO YUDEN Group has constructed a CSR management system to achieve the goals set forth in our CSR Charter and to ensure compliance with the CSR Code of Conduct as well as all related laws and regulations. We have also created a framework and rules for promoting proper conduct as outlined in the Code of Conduct, and all of our Group companies employ a management system based on the plan-do-check-act (PDCA) cycle.

We intend to contribute toward the resolution of the various

social issues raised in the Sustainable Development Goals (SDGs) adopted at the UN Summit in 2015 though the TAIYO YUDEN Group's business activities and ESG efforts while simultaneously achieving sustainable growth in our business by making continuous improvements in our CSR management system.

In the following section we would like to explain how the TAIYO YUDEN Group's business activities and ESG efforts contribute to the achievement of these Sustainable Development Goals.

■ SDGs and Efforts

SDGs	Efforts	Links for Details
 Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> Periodical blood donation by employees at each of TAIYO YUDEN Group sites 	Contributing to Communities (Blood Donation)
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> Electronic handicraft workshop for students to develop an interest in science Donation for the welfare fund for orphans from traffic accidents founded by the founder of TAIYO YUDEN and some scholarships 	Contributing to Communities (Electronic Handicraft Workshop) Contributing to Communities (Donation to Fund for Orphans from Traffic Accidents)
 Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> Formulation and implement of action plan about promotion of women's participation and advancement 	Diversity Promoting Activities
 Ensure availability and sustainable management of water and sanitation for all	<ul style="list-style-type: none"> Treatment of used water in factory to displace clean water Cleanup activities to protect ecosystem on the waterfront where various species live Reduction of water use by recycling water 	Safety & Environmental Report, Data by Site Contributing to Communities (Cleanup on Hills, Riversides, and Seacoasts) Environmental action case (Reducing Water Use) Waste, Water (Results of Water Resource Efforts)
 Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> Providing solutions to improve photovoltaics efficiency using PV Micro Converter and monitoring system Generation of electricity with photovoltaic power plant to promote utilization of sustainable energy 	Solution Proposals/Solar Power Generation Environmental action case (Response to Climate Change)
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> Enhancement of safety working environment to level up Health and Safety 	Health & Safety Activities (Efforts and Status)
 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> For enhancement of energy efficiency, development and supply the Lithium Ion Capacitor, long life and high capacity 	Solution Proposals/Power Storage Devices
 Reduce inequality within and among countries	<ul style="list-style-type: none"> Establishment and implement of equal opportunity policy to prohibit any discriminations 	Human Rights and Labor
 Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> Providing solutions to realize safety in city with Optical Wireless Communication security system 	Optical Wireless Communication/ Examples of Applications
 Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> Effective Use of Natural Resources 3R activities (Reduce, Reuse, Recycle) of waste and water resources considering biodiversity and coexistence between humans and nature Reduction of energy use to curb global warming Annual reporting on sustainability activity 	Environmental Target and Progress Waste, Water GHG, Energy Safety & Environmental Report
 Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> Reduction of energy use to curb global warming Annual reporting on sustainability activity 	GHG, Energy Safety & Environmental Report
 Conserve and sustainably use the oceans, seas and marine resources for sustainable development	<ul style="list-style-type: none"> Mangrove tree plantation to achieve healthy and productive oceans in Philippines Cleanup activities on riversides and seacoasts to prevent marine pollution 	Biodiversity action case (Mangrove Tree Planting) Contributing to Communities (Cleanup on Hills, Riversides, and Seacoasts)
 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<ul style="list-style-type: none"> Plantation in Philippines and Malaysia to restore forests Weeding and thinning in forests to conserve mountain ecosystems Extermination of invasive alien species to protect land and water ecosystems 	Contributing to Communities (Afforestation) Biodiversity action case (Volunteering for Forest Maintenance) Biodiversity action case (Extermination of alien species)
 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> Identification and assessment of conflict minerals, and sourcing responsible minerals 	Responsible Minerals Procurement

ESG

—Environment (E) and Social (S) activities—

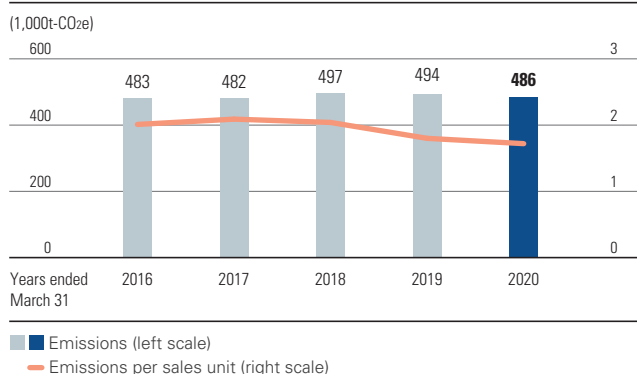
Environmental activities

In order to contribute to the passing on of our irreplaceable natural world to future generations, the TAIYO YUDEN Group is promoting environmental activities based on our philosophy of reducing the environmental impact of our business activities, including everything from product research, development and design to the procurement of materials, manufacturing,

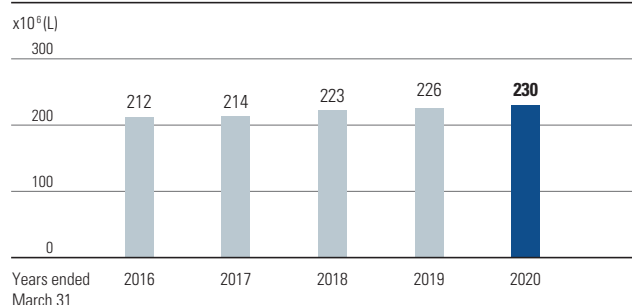
sales and after-sales service.

As part of this, we are working toward achieving priority goals such as reducing greenhouse gas emissions (output unit-based reductions) and improving efficiency in energy use (output unit-based conservation of energy).

■ Greenhouse Gas Emissions (calculated from total energy consumption)



■ Energy Consumption (crude oil equivalent)



Human Resource Activities Related to Labor and Human Rights

The TAIYO YUDEN Group has defined a Code of Conduct regarding labor and human rights within the CSR Code of Conduct which stipulates that child labor or forced labor are not to be conducted. A survey on child labor and forced labor was conducted in all countries where Group companies are located, and the results confirmed that these stipulations were being complied with 100%. In addition, the Code of Conduct stipulates that we will respect the diversity, personality, and individuality of employees, ensure a work environment without any discrimination, and not conduct acts of harassment by authority in the organization, and we are also promoting compliance with these provisions.

In line with our founding philosophy, the TAIYO YUDEN Group aims to bolster the quality of life of each of our employees by respecting the personality and individuality of each

person based on recognition of people's diverse backgrounds and characteristics. Through our continuous efforts to develop human resources, we aim to create a global workforce built on different cultures that can effectively implement the company's management strategy and enhance creativity and specialization of employees so that they can create new value that contributes to society. Based on our personnel mission of "Facilitate employees' future and excellent organizations," we are focused on ensuring an environment where all employees and organizations can work to the best of their abilities, and through the acceleration of human resources training contribute not only the development of the TAIYO YUDEN Group, but also each employee pursuing growth on their own.

→ p.38-39 Human Resources Strategy

Health and Safety Activities

The TAIYO YUDEN Group works to eliminate work-related accidents and reduce major risks based on the Fundamental Principle of Safety and Health that provide workplaces which always maintain safety and where employees can work in confidence in order to ensure their well-being, as they are an important resource for the company.

Currently, to achieve the new medium-term occupational health and safety targets for the fiscal year ending March 31, 2022, we are promoting initiatives to improve the level of the 5M (Man, Machine, Method, Material, and Measurement) items in order to eliminate unstable conditions and unsafe behavior that cause work-related accidents.

■ New Medium-term Occupational Health and Safety Targets

Results and Targets		5Ms for Medium-term Targets	
Incidence rate of injuries and illness Year ending March 31, 2022 Target Less than 0.035 Year ended March 31, 2020 Results 0.008		Man	Fostering an awareness of safe behavior
		Machine	Equipment safety meeting the ISO and IEC standards
		Method	Standardization of procedures for safe work
		Material	Minimization of toxicity and danger of chemical substances
		Measurement	Strengthening of checking system

Materials Procurement Activities (CSR Procurement)

Recently, there have been strong international demands for companies to conduct business activities with a social consciousness based on high ethical and moral standards. The TAIYO YUDEN Group has established a basic policy on

materials procurement, and is promoting CSR procurement activities for not only suppliers of parts, materials, machinery as well as technologies and services procured by the Group, but also the entire supply chain including all clients.

Responsible Minerals Procurement

The TAIYO YUDEN Group has formulated a procurement policy aimed at the responsible procurement of minerals, and takes the following measures in line with that policy.

Responsible Minerals Procurement Policy

TAIYO YUDEN Group established CSR Charter/CSR Code of Conduct and promotes CSR activities in order to fulfill social responsibility. As “Mutual Trust/CSR” in our Procurement Policy, TAIYO YUDEN Group shall actively practice the CSR management in procurement activities and further establish sound partnership to build mutual trust and development.

As one of the ways in which it fulfills its social responsibility in the supply chain, TAIYO YUDEN Group procures minerals that do not originate from the Democratic Republic of Congo or adjoining countries (DRC countries) and finance armed groups through their purchase and sale, and are not involved in human rights violation or labor and other issues. TAIYO YUDEN Group requests suppliers to understand the TAIYO YUDEN’s procurement policy and cooperate with the survey on the procurement process. Furthermore, TAIYO YUDEN Group requests suppliers to procure minerals from the refiners/smelters approved by globally recognized frameworks such as RMI (Responsible Minerals Initiative).

Concrete Initiatives

1. We construct management system of minerals* procurement complied with OECD due diligence guidance.
2. We promote “Responsible Minerals Procurement” throughout supply-chain in collaboration with industry organization.
3. We identify and evaluate risks in the supply chain by using globally standardized programs (CMRT/CRT and other surveys).
4. When non-corrective mineral procurement is found, we will stop to procure and take corrective action.
5. We disclose results of mineral procurement survey upon customers’ request.

* Tantalum, tungsten, tin, gold, cobalt, and their derivatives

Social Contribution Activities

Based on an approach focused on coexisting harmoniously with local communities, our social contribution activities include holding and participating in volunteer activities and charity events, interacting with communities and providing factory tours.


TAIYO YUDEN SOLFILLE Women’s Softball Team

The women’s softball team was established in 1984 for the purpose of improving employee motivation and the name recognition of the company. The team has been in the first division of the Japan Softball League for 33 years since 1987. During this time, it has had a spectacular track record that includes gaining championship titles in the league

and the All Japan National Championship, and it has also produced some Olympic national team players.

In addition, the team plays a major role in inspiring not only employees, but also people in the local community and children through means such as holding softball classes for future players nationwide.



For further details on our sustainability activities, please visit at  <https://www.yuden.co.jp/or/company/sustainability/>

Basic Policy for Corporate Governance

The TAIYO YUDEN Group believes that it is the Company's social responsibility and management mission to develop its business considering society, the public benefit, and the public spirit from a global perspective in accordance with the three principles of its management philosophy: Employee Well-being, Betterment of Local Communities, and Responsibility to Provide Returns to Shareholders, along with accomplishing the Group's management

vision "To be an excellent company that enjoys the trust and highest regard from our customers."

The Company shall emphasize managerial transparency and fairness, and strive to improve corporate governance by establishing a structure and system facilitating timely and appropriate information disclosure, full compliance, quick decision-making, and the performance of duties under the supervision of the Board of Directors.

Initiatives Aimed at Enhancing Corporate Governance

2001: Introduction of Operating Officers System	2015: Establishment of Basic Policy for Corporate Governance
2006: Appointment of One Outside Director	2016: Implementation of Evaluation of Board of Directors' Effectiveness
2008: Appointment of Two Outside Directors Board of Directors Term of Office Changed to 1 Year	2018: Formulation of successor plan of the chief executive officer and etc.
2010: Establishment of Nomination Committee (Voluntary) Establishment of Remuneration Committee (Voluntary)	2019: Appointment of Three Outside Directors Promoting Diversity on the Board of Directors
2013: Establishment of Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members	2020: Utilization of an outside organization to evaluate the effectiveness of the Board of Directors

Structure of Corporate Governance

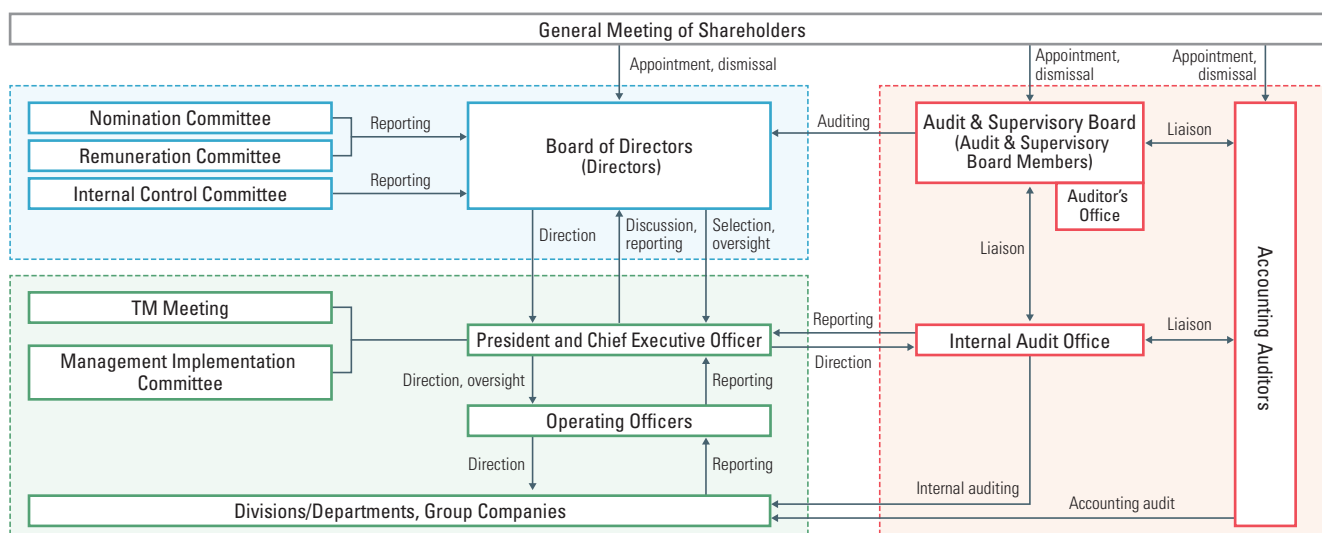
Overview of Corporate Governance Structure

Having adopted an Audit & Supervisory Board system, the Company has a Board of Directors, an Audit & Supervisory Board, and an accounting auditor. Furthermore, all our Outside Directors and Outside Audit & Supervisory Board Members are appointed as independent officers as they meet our standards for independence and are deemed unlikely to have any conflicts of interest with general shareholders. Through a governance system that promotes close collaboration with the Audit & Supervisory Board and internal audit department, the Company works to enable Audit & Supervisory Board Members to perform their roles effectively and strengthen their supervisory function vis-à-vis management.

Roles and Responsibilities of the Board of Directors

1. The Board of Directors shall aim for corporate management to be an excellent company that enjoys the trust and highest regard from stakeholders, including shareholders, customers, employees and local communities, to accomplish the fiduciary responsibility entrusted by shareholders and increase the Company's interests and the common interests among shareholders.
2. The Board of Directors shall deliberate and determine important matters for the entire Group with ample time, including management policies, management strategies, business plans, capital policy and the matters on internal control, for the purpose of continuously increasing corporate value from a long-term perspective.
3. The Board of Directors shall strengthen the management system for risk factors surrounding corporate management of the Company and always monitor the execution of business operations.

■ Structure of Corporate Governance (As of July 2020)



Note: The TM Meeting is an advisory panel for deliberations and decisions on matters concerning personnel and organizations, etc.

Delegation of Authority by the Board of Directors to Top Management

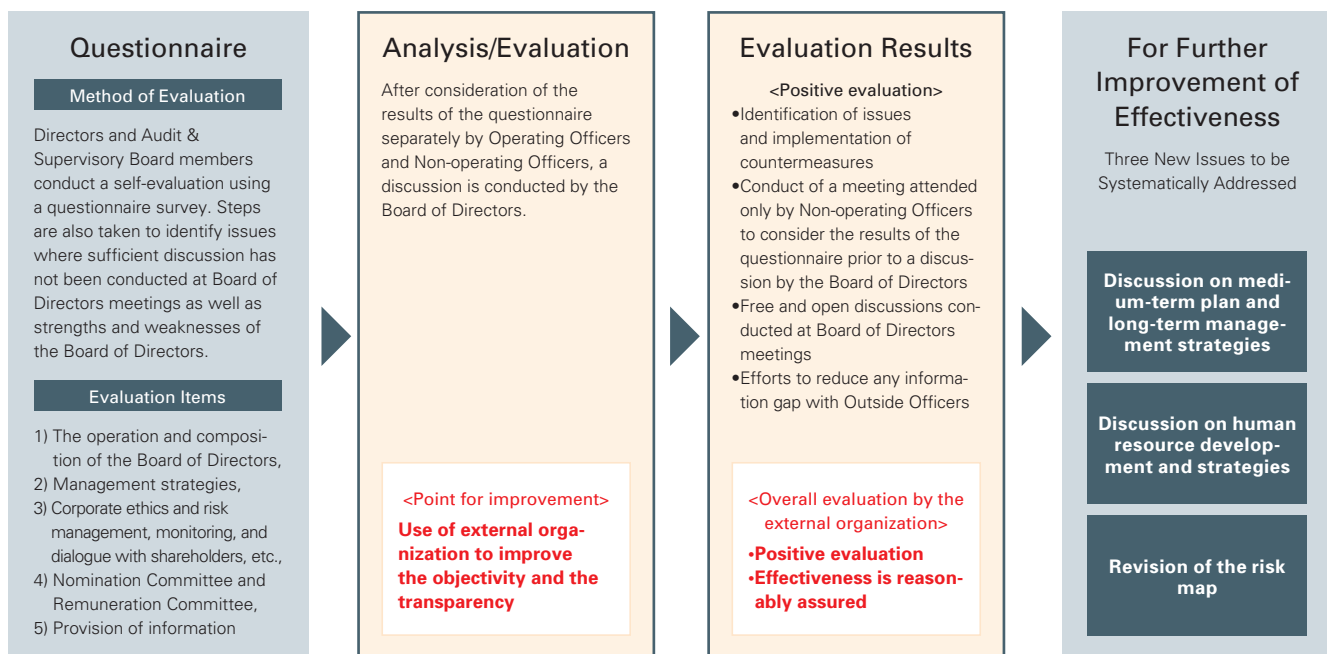
1. To ensure the effective decision-making by the Board of Directors, the Management Implementation Committee shall deliberate in advance policy matters regarding execution of business duties for Group management, whereas the TM (Top Management) Meeting shall deliberate in advance matters concerning personnel, organization and remuneration systems for the entire Group. Both organs shall determine matters delegated by the Board of Directors.
2. Operating Officers are in place in order to further clarify roles and responsibilities of Directors who monitor and supervise the management of business and persons who execute business operations. The Operating Officers shall conduct business flexibly as an executor responsible for the section he or she is in

charge, under the direction of the President and Chief Executive Officer, in accordance with management policies and strategies determined at meetings of the Board of Directors.

Effectiveness of the Board of Directors

1. To ensure the fairness of the meetings and strengthen the authority of management oversight, the Board of Directors shall be chaired by the Chairman of the Board of Directors. If the Chairman of Board of Directors is absent, the President and Chief Executive Officer shall chair the Board of Directors.
2. At the Board of Directors meeting, the Directors and the Audit & Supervisory Board Members shall evaluate by themselves the effectiveness of the Board of Directors every year. The Board of Directors shall disclose issues to be addressed and others based on analysis results and address how to resolve such issues.

■ Process for Evaluating the Effectiveness of the Board of Directors



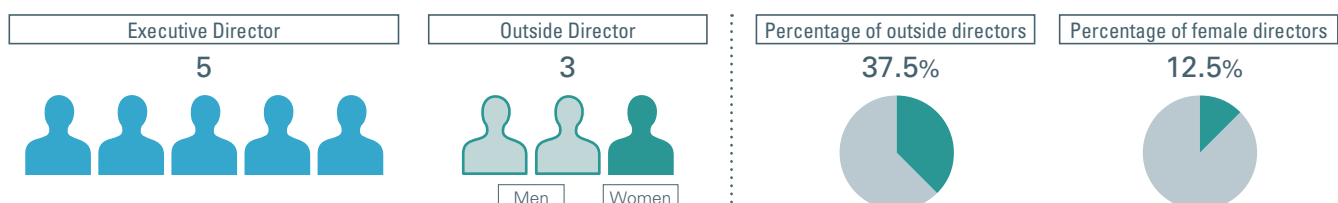
Directors

1. The Board of Directors shall be composed of not more than ten (10) Directors, not less than one third (1/3) of whom shall be Independent Outside Directors.
2. To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.
3. To ensure ample diversity in terms of gender and nationality and adequate balance in the composition of the Board of Directors, candidates for Executive Director are selected from among persons who have excellent personality and insight, have achieved a good track record to date in business areas of which they have

been in charge, and have a thorough knowledge of management and business based on the "Officer Appointment and Dismissal Standards." Candidates for Outside Director are selected based on selection criteria including personality, experience, strong expertise, and the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members."

4. Except for Outside Directors, the Directors concurrently serve as Operating Officers who are in charge of both oversight and the execution of operations. Directors report to the Board of Directors with emphasis on the business performance and oversight operations of the divisions/departments of which they are in charge.

■ Composition of the Board of Directors



Audit & Supervisory Board and Audit & Supervisory Board Members

1. The Company has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board meeting is held monthly, in principle.
2. The Audit & Supervisory Board shall be composed of not more than five (5) Audit & Supervisory Board Members, a majority of whom shall be Independent Outside Audit & Supervisory Board Members. The Company elects persons who have adequate experience and skills as well as sufficient knowledge of finance, accounting, and legal affairs as Audit & Supervisory Board Members to ensure the effectiveness of audits.
3. To raise the effectiveness of audits, each Audit & Supervisory Board Member attends Board of Directors meetings and attends meetings related to the execution of business operations and other important meetings by sharing the tasks with each other. Moreover, Audit & Supervisory Board Members strive to strengthen the auditing system through frequent communications with the Accounting Auditors and the internal audit department by meeting regularly, witnessing accounting audits as observers and conducting joint audits with the internal audit department.
4. The Audit & Supervisory Board has its own dedicated staff to conduct highly effective auditing operations such as information communications and data management.

Remuneration Committee to enhance the independence and objectivity of the functions of the Board of Directors in relation to the nomination and remuneration of Directors and Operating Officers, as well as to achieve greater accountability.

2. The Nomination Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, 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 or the dismissal of an Audit & Supervisory Board Member.
3. The Remuneration Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Remuneration Committee deliberates on remuneration plans and amounts of Directors and Operating Officers and reports the deliberation results to the Board of Directors.

Voluntary Advisory Panels

1. The Company has established a Nomination Committee and a

■ Voluntary Advisory Panels

(As of July 2020)

	Total Members (persons)	Internal Directors (persons)	Outside Directors (persons)	Audit & Supervisory Board Members (persons)	Head of Committee
Nomination Committee	5	1	3	1	Independent Outside Director
Remuneration Committee	5	1	3	1	Independent Outside Director

Policy on Election of Outside Directors and Outside Audit & Supervisory Board Members and Their Roles

1. In electing Outside Directors, to ensure transparency in the authority of management oversight, the Company has established rigorous "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" as requirements for their appointment referencing, and making it more rigorous than, other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the "Securities Listing Regulations" set forth by the Tokyo Stock Exchange.
2. The three Outside Directors meet the Company's independency requirements. They make efforts to strengthen the supervisory capability of the Company and strive to strengthen objective management. Specifically, they fulfill a role that is important to the

decision-making process and provide opinions from the perspective of either technical experts or shareholders independent of executive management, based on a broad view that leverages knowledge of corporate legal affairs and the experience of corporate managers.

3. The two Outside Audit & Supervisory Board Members meet the Company's independency requirements. They cooperate with each other to monitor the status of internal control of operations on a daily basis. Specifically, they are responsible for investigating and verifying whether the Directors' duties are legally conducted in compliance with the relevant laws. In addition to possessing technical and practical knowledge of their own in the fields of law and accounting, they objectively monitor the execution of duties by Directors.

■ Reasons for Appointing Outside Directors and Outside Audit & Supervisory Board Members

Name	Reason for appointment
Masashi Hiraiwa Outside Director (Independent Director)	Mr. Masashi Hiraiwa has served as an officer or in a similar position at investment corporations, and possesses abundant experience and high-level expertise as an attorney specializing in corporate legal affairs. He has demonstrated a high sense of ethics by offering constructive opinions and organizing points of discussion or debate from an objective perspective, and fulfilling the monitoring function over the Company's overall management such as governance and legal compliance including internal control, at meetings of the Company's Board of Directors. For these reasons, it was judged that he would be able to fulfill his duties as Independent Outside Director who supervises business execution. Therefore, he was appointed as an Independent Outside Director.

Seiichi Koike Outside Director (Independent Director)	Mr. Seiichi Koike has engaged in material development for automotive components and research and development related to production technology at an automotive maker over many years, and possesses wide-ranging expertise in relation to the automotive electronics business. In addition, the Company also believes it will be valuable to the Group for his wide-ranging expertise from an investor's perspective to be reflected in the management of the Company, utilizing his abundant experience, including corporate management in the automotive components industry and strengthening governance systems as an Audit & Supervisory Board Member. For these reasons, it was judged that he can be expected to provide valuable advice and suggestions regarding overall management at meetings of the Company's Board of Directors. Therefore, he was appointed as an Independent Outside Director.
Emiko Hamada Outside Director (Independent Director)	While Ms. Emiko Hamada was employed by the Company, she engaged in the development and commercialization of CD-R and DVD-R. After she left the Company, she has conducted research activities for many years as a university professor mainly focusing on industry-academia-government collaboration projects. She also has experience in serving as an Outside Director at another company. The Company believes her suggestions of business execution and management supervision as an Outside Director will be valuable to the Group. For these reasons, it was judged that she will be able to provide advice and suggestions regarding overall management at the meetings of the Company's Board of Directors, and therefore she was appointed as an Independent Outside Director.
Hajime Yoshitake Outside Audit & Supervisory Board Member (Independent Director)	Mr. Hajime Yoshitake has many years' experience of auditing operation at financial institutions and internal control consulting operation at business corporations, is qualified as a certified internal auditor, etc., has contributed to audit-related meetings in Japan and overseas, and possesses exceptional insight, abundant experience and a good track record regarding auditing operation. As an Audit & Supervisory Board Member of the Company, based on his knowledge and experience, he has actively helped establish a highly transparent, fair system for auditing management of the Company, carried out auditing on the appropriateness of deliberation and decision-making on important matters, and diligently conducted on-site audits of other sites. For these reasons, he was appointed as an Independent Outside Audit & Supervisory Board Member.
Tomomi Fujita Outside Audit & Supervisory Board Member (Independent Director)	Ms. Tomomi Fujita has abundant experience as an attorney and a thorough knowledge of legal affairs in general and corporate legal affairs in particular. As such, she has sufficient insight to audit corporate management. For these reasons, Ms. Fujita was appointed as an Independent Outside Audit & Supervisory Board Member as she is expected to be able to audit management decisions at meeting of the Board of Directors and business execution by Directors objectively based on her strong expertise.

Policies for Determining Remuneration Paid to Corporate Officers and its Details Thereof

The following are policies we have established to determine the remuneration paid to corporate officers.

Policy to determine the remuneration paid to Corporate Officers

1. The Company shall provide remuneration that emphasizes the linkage with financial results and medium- to long-term corporate value, to share the same value with shareholders.
2. Remuneration shall be set at levels that can attract and retain excellent human resources with global competitiveness.
3. Remuneration shall emphasize transparency and fairness to be able to fulfill accountability.

Process to Determine Remuneration Paid to Corporate Officers and Content of Remuneration

In order to ensure the transparency and fairness of the process to determine remuneration for Officers, a Remuneration

Committee has been established as an advisory panel to the Board of Directors. The Remuneration Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberations. It deliberates and reports on matters pertaining to remuneration for Officers such as remuneration policy, plan, calculation methods, and specific remuneration content of individual Officers.

After the Remuneration Committee has deliberated and reported, specific remunerations for Directors are deliberated at the Board of Directors meeting, and specific remunerations for Audit & Supervisory Board Members are discussed at the Audit & Supervisory Board meeting, within the limits of remunerations approved at the General Meeting of Shareholders, and with the amount of remunerations calculated based on rules and regulations established by the Company.

■ Total Remuneration Paid to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended March, 2020

	Total remuneration paid and number of persons		Total remuneration paid by type of compensation					
			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	8	333	8	168	5	96	5	68
Audit & Supervisory Board Members	6	81	6	81	—	—	—	—
Total	14	415	14	249	5	96	5	68
Of which, Outside Directors and Outside Audit & Supervisory Board Members	(6)	(54)	(6)	(54)	(—)	(—)	(—)	(—)

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year ended March 2020, not the number of persons in office.

2. The upper limit of remunerations paid to Directors was resolved to be ¥700 million or less per year at the 78th Ordinary General Meeting of Shareholders held on June 27, 2019. The upper limit of remunerations paid to Audit & Supervisory Board Members was resolved to be ¥8 million or less per month at the 75th Ordinary General Meeting of Shareholders held on June 29, 2016.

3. Figures are rounded down to the nearest million yen.

11-year Summary

TAIYO YUDEN CO., LTD. and Subsidiaries
Years Ended March 31 and as of March 31

(Millions of yen)

Fiscal year	2010	2011	2012	2013
Business results				
Net sales	195,690	210,401	183,795	192,903
Operating income (loss)	4,203	8,792	(8,010)	4,850
Ordinary income (loss)	1,966	6,740	(9,070)	7,118
Net income (loss) attributable to owners of parent company	(680)	(5,506)	(21,599)	1,867
Total assets	236,361	221,272	208,461	225,991
Net assets	139,263	127,626	104,400	115,814
Cash flows from operating activities	25,662	25,219	5,534	19,496
Cash flows from investing activities	(8,918)	(16,594)	(28,945)	(18,157)
Free cash flows	16,744	8,625	(23,411)	1,339
Cash flows from financing activities	(8,775)	(8,948)	11,388	2,334
Cash and cash equivalents at end of year	40,451	38,811	26,671	33,280
R&D expenses	7,698	8,475	8,068	6,840
Capital investment	9,352	17,519	26,764	20,702
Depreciation and amortization	23,922	19,309	19,250	19,832

Per share data (yen)

Net assets per share	1,179.82	1,080.61	884.70	981.92
Basic net income (loss) per share	(5.78)	(46.82)	(183.70)	15.88
Diluted net income per share	—	—	—	15.85
Cash dividends per share	10.00	10.00	5.00	10.00

Financial ratios (%)

Equity ratio	58.7	57.4	49.9	51.1
Return on Equity [ROE]	(0.5)	(4.1)	(18.7)	1.7
Return on Assets [ROA]	0.9	2.9	(4.2)	3.3

Other data

Number of employees [consolidated]	17,836	17,267	16,194	15,915
Number of employees [non-consolidated]	2,957	2,988	2,977	2,632
Greenhouse gas emissions (1,000t-CO ₂ e)				477
(Emissions per sales unit)				(2.47)
Incidence rate of injuries and illness				N.A.
Incidence rate of mental health problems (%)				0.80

Note: ROE = Net income (loss) attributable to owners of parent company/Shareholders' equity (yearly average) x 100
ROA = Ordinary income/Total assets (yearly average) x 100

(Millions of yen)

2014	2015	2016	2017	2018	2019	2020
208,222	227,095	240,385	230,716	244,117	274,349	282,329
11,358	13,153	23,370	12,385	20,221	35,237	37,176
12,192	15,653	22,263	11,200	20,553	34,351	35,165
6,989	10,919	14,751	5,428	16,355	23,687	18,022
247,596	265,454	268,380	271,149	287,170	328,861	343,122
128,556	150,856	153,381	154,150	170,118	205,953	210,454
29,724	24,896	38,278	29,692	33,944	42,967	52,434
(18,947)	(20,964)	(35,374)	(28,806)	(26,918)	(33,581)	(40,874)
10,777	3,932	2,904	887	7,026	9,386	11,560
8,404	(21,249)	(2,050)	(4,342)	953	(1,603)	(4,851)
54,611	41,476	39,944	36,094	43,837	51,654	57,285
7,353	8,237	9,024	10,008	10,574	13,039	12,921
19,126	18,773	41,261	33,161	24,549	38,570	39,365
20,750	21,813	23,767	24,908	25,589	26,547	27,022
1,090.26	1,278.07	1,299.75	1,305.96	1,440.79	1,609.72	1,672.40
59.38	92.74	125.27	46.08	138.80	189.93	143.04
58.09	85.51	115.54	42.43	127.88	185.87	142.67
10.00	10.00	15.00	20.00	20.00	21.00	26.00
51.8	56.7	57.1	56.8	59.1	62.5	61.2
5.7	7.8	9.7	3.5	10.1	12.6	8.7
5.1	6.1	8.3	4.2	7.4	11.2	10.5
16,435	18,262	18,810	18,753	19,011	21,300	21,723
2,572	2,577	2,618	2,586	2,590	2,681	2,785
458	485	483	482	497	494	486
(2.20)	(2.13)	(2.01)	(2.09)	(2.04)	(1.80)	(1.72)
0.020	0.030	0.030	0.035	0.028	0.015	0.008
0.74	0.85	0.45	0.60	1.15	1.15	0.86

Financial Review

Outline of Business Performance

During the fiscal year ended March 31, 2020, the business environment surrounding TAIYO YUDEN Group maintained a moderate recovery for the global economy as a whole despite some weaknesses in Asia and Europe. However, due to the impact of the COVID-19 pandemic at the beginning of 2020, economic activity has been restrained, and the global economy has slowed sharply. As for the future outlook, the impact of the outbreak is expected to persist for the time being, and there is a growing risk of further downturn in the global economy.

The Group aimed to achieve its medium-term targets and management vision by capturing focus markets such as automotive, IT infrastructure/industrial equipment, healthcare, the environment and energy centered on the solution business that leverages the Group's core technologies, in addition to cutting-edge products and high reliability products that draw on the Group's strengths of research and development and production technology. Moreover, the Group is strengthening its manufacturing capabilities in order to build a structure that can enhance profitability and meet the future increase in demand for components. In addition to enhancing production capacity, the Group is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

In the fiscal year ended March 31, 2020, the Group focused on sales of products for use in automobiles where use of electric vehicles and electronic components is advancing and for use in IT infrastructure, such as base station communication devices and data centers where there are enhancements in functionality accompanying the upgrading of communication systems and advances in IoT. Amid rising demand for large, high voltage resistant, high reliability components, the Group succeeded in increasing sales by expanding the product line up and production capacity and fulfilling its supply responsibilities.

As a result, consolidated net sales for the fiscal year ended March 31, 2020 totaled ¥282,329 million, which is an increase of 2.9% compared to the corresponding period of the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2020 was US\$1: ¥109.06. This is an appreciation of ¥1.43 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥110.49.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2020, selling, general and administrative (SG&A) expenses increased ¥1,147 million compared with the previous fiscal year, to ¥48,173 million.

In addition to the upswing in employee salaries and benefits, the main factors for the increase were depreciation and amortization.

Despite this increase in SG&A expenses, operating income jumped 5.5% year on year, to ¥37,176 million.

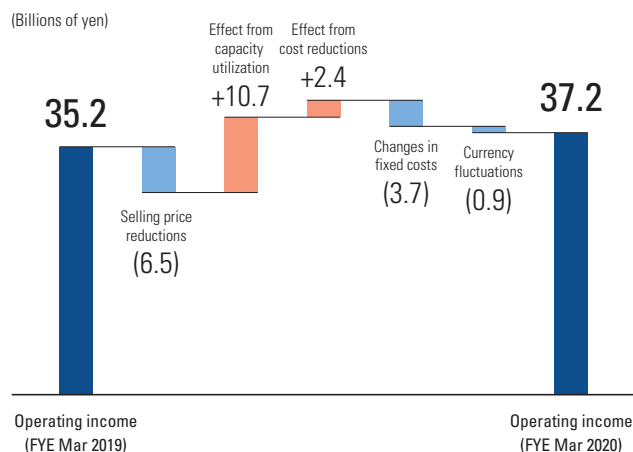
Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2020, was ¥972 million, a decrease of ¥524 million from the previous fiscal year. On the other hand, non-operating expenses increased by ¥601 million from the previous fiscal year to ¥2,983 million due in part to an increase in loss on foreign exchange. As a result, ordinary income increased by 2.4% to ¥35,165 million.

Extraordinary Gains (Losses)

Despite receiving insurance claim income, extraordinary gains in the fiscal year ended March 31, 2020, amounted to ¥1,516 million, a decrease of ¥309 million from the previous fiscal year, due in part to recording fewer sales of investment securities than the previous fiscal year. Extraordinary losses increased ¥4,797 million year on year to ¥12,863 million due in part to losses associated with disasters and impairment loss on goodwill associated with the ELNA CO., LTD., subsidiary. As a result, net income attributable to owners of parent company decreased 23.9% year on year, to ¥18,022 million.

Factors behind Operating Income in FYE March 2020



Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2020, stood at ¥343,122 million, up ¥14,260 million from the end of the previous fiscal year.

Current assets increased ¥6,071 million. This increase in current assets was mainly due to the increase in cash and deposits of ¥3,191 million and work in process of ¥2,921 million.

Fixed assets increased ¥8,189 million owing to an upswing in property of ¥18,882 million, a decrease in goodwill of ¥5,837 million, and a decrease in investments and other assets of ¥4,930 million.

Liabilities

Total liabilities stood at ¥132,667 million as of the end of the fiscal year ended March 31, 2020. This was ¥9,760 million higher than the end of the previous fiscal year primarily due to an increase in long-term borrowings of ¥6,336 million and an increase in accrued amounts payable of ¥3,408 million.

Net Assets

Net assets stood at ¥210,454 million as of March 31, 2020, up ¥4,500 million compared with the end of the previous fiscal year.

Principal movements in net assets were an increase of retained earnings of ¥15,045 million, a decrease in foreign currency translation adjustments of ¥5,075 million, purchases of treasury stock of ¥3,982 million, and net unrealized holding gains on securities of ¥1,088 million.

Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2020, came to ¥52,434 million, up 22.0% compared with the previous fiscal year.

The contributing factors were income before income taxes of ¥23,818 million, depreciation and amortization of ¥27,022 million, impairment loss of ¥5,290 million, and income taxes (paid) of ¥7,338 million.

Net cash used in investing activities amounted to ¥40,874 million, up 21.7% compared with the previous fiscal

year. The major expenses were purchases of property, plant and equipment of ¥44,067 million.

Net cash used in financing activities was ¥4,851 million, up 202.5% compared with the previous fiscal year. The main factors were proceeds from long-term borrowings of ¥9,000 million, purchases of treasury stock of ¥4,006 million, net decrease in short-term borrowings of ¥3,899 million, payments of cash dividends of ¥2,776 million, and repayments of long-term borrowings of ¥2,477 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥57,285 million as of the end of the fiscal year ended March 31, 2020, an increase of ¥5,630 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2020, consisted of ¥19,250 million in short-term borrowings, ¥2,663 million in current portion of long-term borrowings, and ¥34,752 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. Moreover, and to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥10,000 million effective for three years. The Group has not utilized the commitment line as of the March 31, 2020 fiscal year-end.

The TAIYO YUDEN Group is capable of generating cash flow through its sound financial position and operating activities. Management believes it is capable of procuring the operating capital and funds for capital investment that may be required in the future to maintain the TAIYO YUDEN Group's growth.

Overview of Capital Investment

In the fiscal year ended March 31, 2020, the TAIYO YUDEN Group undertook a total of ¥44,067 million in capital investment, mainly to increase production capacity for multilayer ceramic capacitors, which continue to be in strong demand, including for automobiles, IT infrastructure, and smartphones.

Consolidated Financial Statements

Consolidated Balance Sheet

TAIYO YUDEN CO., LTD. and Subsidiaries

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	56,430	59,622
Notes and accounts receivable - trade	*2 62,745	*2 64,680
Merchandise and finished goods	21,065	18,134
Work in process	25,907	28,829
Raw materials and supplies	13,974	15,624
Other	5,972	5,220
Allowance for doubtful accounts	(238)	(182)
Total current assets	185,858	191,930
Non-current assets		
Property, plant and equipment		
Buildings and structures	94,768	97,082
Machinery, equipment and vehicles	263,270	278,081
Tools, furniture and fixtures	26,089	27,578
Land	11,022	12,661
Construction in progress	10,468	18,307
Accumulated depreciation	(280,102)	(289,311)
Total property, plant and equipment	125,517	144,400
Intangible assets		
Goodwill	5,837	—
Other	1,219	1,293
Total intangible assets	7,056	1,293
Investments and other assets		
Investment securities	*1 4,760	*1 2,671
Retirement benefit asset	16	19
Deferred tax assets	3,864	1,314
Other	2,119	1,819
Allowance for doubtful accounts	(332)	(326)
Total investments and other assets	10,428	5,498
Total non-current assets	143,003	151,192
Total assets	328,861	343,122

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,031	26,603
Short-term borrowings	23,152	19,250
Current portion of long-term borrowings	2,477	2,663
Accounts payable - other	13,405	16,813
Income taxes payable	5,085	1,903
Provision for bonuses	4,167	4,576
Provision for bonuses for directors (and other officers)	258	233
Other	8,420	12,290
Total current liabilities	81,997	84,333
Non-current liabilities		
Long-term borrowings	28,415	34,752
Deferred tax liabilities	4,771	3,397
Provision for retirement benefits for directors (and other officers)	132	49
Retirement benefit liability	3,742	4,200
Other	3,847	5,934
Total non-current liabilities	40,910	48,334
Total liabilities	122,907	132,667
Net assets		
Shareholders' equity		
Share capital	33,575	33,575
Capital surplus	49,904	49,903
Retained earnings	135,217	150,263
Treasury shares	(4,613)	(8,596)
Total shareholders' equity	214,083	225,146
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,519	430
Deferred gains or losses on hedges	2	(82)
Foreign currency translation adjustment	(9,703)	(14,779)
Remeasurements of defined benefit plans	(401)	(824)
Total accumulated other comprehensive income	(8,583)	(15,255)
Share acquisition rights	453	563
Total net assets	205,953	210,454
Total liabilities and net assets	328,861	343,122

Consolidated Financial Statements

Consolidated Statement of Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	274,349	282,329
Cost of sales	*1 192,084	*1 196,979
Gross profit	82,264	85,350
Selling, general and administrative expenses	*2, *3 47,026	*2, *3 48,173
Operating profit	35,237	37,176
Non-operating income		
Interest income	382	335
Dividend income	142	146
Foreign exchange gains	190	—
Subsidy income	451	245
Other	329	244
Total non-operating income	1,496	972
Non-operating expenses		
Interest expenses	349	375
Share of loss of entities accounted for using equity method	786	787
Foreign exchange losses	—	1,404
Share issuance costs	144	—
Depreciation of inactive non-current assets	194	219
Loss from suspended operation	655	—
Other	252	197
Total non-operating expenses	2,382	2,983
Ordinary profit	34,351	35,165
Extraordinary income		
Gain on sales of non-current assets	*4 16	*4 148
Gain on sales of investment securities	1,535	16
Gain on step acquisitions	249	—
Insurance claim income	—	*8 1,351
Other	24	—
Total extraordinary income	1,825	1,516
Extraordinary losses		
Loss on sales and retirement of non-current assets	*5 494	*5 764
Impairment loss	*6 4,614	*6 5,290
Loss on valuation of investment securities	52	17
Business restructuring expenses	*7 2,235	—
Loss on disaster	—	*8 3,168
Loss related to anti-monopoly act	*9 579	*9 3,600
Other	88	22
Total extraordinary losses	8,066	12,863
Profit before income taxes	28,110	23,818
Income taxes - current	5,983	4,637
Income taxes - deferred	(1,560)	1,158
Total income taxes	4,422	5,795
Profit	23,687	18,022
Profit attributable to owners of parent	23,687	18,022

Consolidated Statement of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	23,687	18,022
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,377)	(1,088)
Deferred gains or losses on hedges	17	(84)
Foreign currency translation adjustment	(674)	(5,075)
Remeasurements of defined benefit plans, net of tax	(568)	(423)
Total other comprehensive income	*	(2,602)
Comprehensive income	21,084	11,350
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	21,084	11,350

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

TAIYO YUDEN CO., LTD. and Subsidiaries

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,557	41,518	113,984	(3,302)	175,756
Cumulative effects of changes in accounting policies					—
Restated balance	23,557	41,518	113,984	(3,302)	175,756
Changes during period					
Conversion of convertible bond-type bonds with share acquisition rights	10,017	10,017			20,035
Dividends of surplus			(2,454)		(2,454)
Profit attributable to owners of parent			23,687		23,687
Purchase of treasury shares				(3,001)	(3,001)
Disposal of treasury shares		(0)		59	59
Change by share exchanges		(1,631)		1,631	—
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during period	10,017	8,386	21,233	(1,310)	38,326
Balance at end of period	33,575	49,904	135,217	(4,613)	214,083

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,896	(15)	(9,028)	167	(5,980)	342	170,118
Cumulative effects of changes in accounting policies							—
Restated balance	2,896	(15)	(9,028)	167	(5,980)	342	170,118
Changes during period							
Conversion of convertible bond-type bonds with share acquisition rights							20,035
Dividends of surplus							(2,454)
Profit attributable to owners of parent							23,687
Purchase of treasury shares							(3,001)
Disposal of treasury shares							59
Change by share exchanges							—
Change in ownership interest of parent due to transactions with non-controlling interests							(0)
Net changes in items other than shareholders' equity	(1,377)	17	(674)	(568)	(2,602)	111	(2,491)
Total changes during period	(1,377)	17	(674)	(568)	(2,602)	111	35,835
Balance at end of period	1,519	2	(9,703)	(401)	(8,583)	453	205,953

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,904	135,217	(4,613)	214,083
Cumulative effects of changes in accounting policies			(192)		(192)
Restated balance	33,575	49,904	135,025	(4,613)	213,891
Changes during period					
Dividends of surplus			(2,784)		(2,784)
Profit attributable to owners of parent			18,022		18,022
Purchase of treasury shares				(4,006)	(4,006)
Disposal of treasury shares		(0)		23	23
Net changes in items other than shareholders' equity					
Total changes during period	—	(0)	15,238	(3,982)	11,254
Balance at end of period	33,575	49,903	150,263	(8,596)	225,146

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,519	2	(9,703)	(401)	(8,583)	453	205,953
Cumulative effects of changes in accounting policies							(192)
Restated balance	1,519	2	(9,703)	(401)	(8,583)	453	205,761
Changes during period							
Dividends of surplus							(2,784)
Profit attributable to owners of parent							18,022
Purchase of treasury shares							(4,006)
Disposal of treasury shares							23
Net changes in items other than shareholders' equity	(1,088)	(84)	(5,075)	(423)	(6,671)	110	(6,561)
Total changes during period	(1,088)	(84)	(5,075)	(423)	(6,671)	110	4,693
Balance at end of period	430	(82)	(14,779)	(824)	(15,255)	563	210,454

Consolidated Financial Statements

Consolidated Statement of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	28,110	23,818
Depreciation	26,547	27,022
Impairment loss	4,614	5,290
Insurance claim income	—	(1,351)
Business restructuring expenses	2,235	—
Loss on disaster	—	3,168
Loss related to anti-monopoly act	579	3,600
Amortization of goodwill	473	631
Increase (decrease) in allowance for doubtful accounts	(29)	(59)
Increase (decrease) in provision for bonuses	430	420
Increase (decrease) in provision for bonuses for directors (and other officers)	26	(24)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(1)	(80)
Interest and dividend income	(524)	(482)
Interest expenses	349	375
Share of loss (profit) of entities accounted for using equity method	786	787
Share issuance costs	144	—
Loss (gain) on sales and retirement of non-current assets	478	615
Loss (gain) on sales of investment securities	(1,535)	(10)
Loss (gain) on step acquisitions	(249)	—
Subsidy income	(209)	(123)
Loss (gain) on valuation of investment securities	52	17
Decrease (increase) in trade receivables	(1,340)	(3,207)
Decrease (increase) in inventories	(6,263)	(4,295)
Increase (decrease) in trade payables	(4,062)	1,894
Other, net	103	2,717
Subtotal	50,716	60,724
Interest and dividends received	514	502
Interest paid	(299)	(415)
Proceeds from insurance income	—	1,351
Business restructuring expenses paid	(2,235)	—
Payments associated with disaster loss	—	(1,588)
Payments for loss related to anti-monopoly act	(2,681)	(802)
Income taxes (paid) refund	(3,047)	(7,338)
Net cash provided by (used in) operating activities	42,967	52,434
Cash flows from investing activities		
Purchase of non-current assets	(42,562)	(44,067)
Proceeds from sales of non-current assets	38	327
Decrease (increase) in time deposits	1,028	2,186
Proceeds from sales of investment securities	2,536	194
Proceeds from subsidy income	312	222
Purchase of shares of subsidiaries and associates	(258)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 5,148	—
Other, net	173	261
Net cash provided by (used in) investing activities	(33,581)	(40,874)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(12,673)	(3,899)
Proceeds from long-term borrowings	22,024	9,000
Repayments of long-term borrowings	(5,194)	(2,477)
Purchase of treasury shares	(3,001)	(4,006)
Dividends paid	(2,449)	(2,776)
Repayments of lease obligations	(117)	(630)
Other, net	(191)	(61)
Net cash provided by (used in) financing activities	(1,603)	(4,851)
Effect of exchange rate change on cash and cash equivalents	34	(1,077)
Net increase (decrease) in cash and cash equivalents	7,816	5,630
Cash and cash equivalents at beginning of period	43,837	51,654
Cash and cash equivalents at end of period	*1 51,654	*1 57,285

Consolidated Financial Statements

[Notes]

Notes - Significant accounting policies for preparation of consolidated financial statements

- (1) Scope of consolidation
TAIYO YUDEN CO., LTD. (the “Company”) has 34 consolidated subsidiaries (all subsidiaries).
- (2) Application of equity method
 - i) The Company has one equity-method associate.
 - ii) Name of associates not accounted for by the equity method
Bifröstec Inc. and three other companies
Reasons for not accounting for by the equity method
The companies not accounted for by the equity method are excluded from the scope of equity method because the exclusion has a minimal impact on profit or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others, and they have no importance as a whole.
 - iii) Other specific information about application of equity method
For companies accounted for by the equity method with account closing dates that are different from the Company’s closing date, the financial statements of each company’s fiscal year-end are used.
- (3) The fiscal years of consolidated subsidiaries
As the reporting date for consolidated subsidiaries – ELNA CO., LTD., ELNA TOHOKU CO., LTD., ELNA ENERGY CO., LTD., ELNA ELECTRONICS(S) PTE. LTD., ELNA AMERICA, INC., ELNA (SHANGHAI) CO., LTD., TANIN ELNA CO., LTD., and ELNA-SONIC SDN. BHD. – is December 31, but the difference between the reporting date of these subsidiaries and that of the parent company does not exceed three months, financial statements for their fiscal year-end are used as a basis for consolidation. When significant transactions occur at those subsidiaries between their fiscal year-end and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.
As the reporting date for subsidiaries – TAIYO YUDEN (GUANGDONG) CO., LTD., TAIYO YUDEN (SHANGHAI) TRADING CO., LTD., TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD., TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD., TAIYO YUDEN (CHINA) CO., LTD. and one other company – is December 31, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.
- (4) Accounting policies
 - i) Accounting policy for measuring significant assets
 - a) Securities
Other securities (available-for-sale securities)
Securities with readily determinable fair value
Market value method based on market price as of the consolidated closing date is applied (valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method.)
Securities without readily determinable fair value
Stated at cost using the moving-average method
Investments in limited liability partnerships for investment business and similar partnerships (falling under definition of “securities” as defined by Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements stipulated in the partnership agreements.
 - b) Derivatives
Market value method is applied
 - c) Inventories
Finished goods and merchandise: Mainly stated at cost as determined by the gross average method (The book value stated in the balance sheet is written down based on the decreased profitability.)
Work in process: Mainly stated at cost as determined by the gross average method (The book value stated in the balance sheet is written down based on the decreased profitability.)
Raw materials and supplies: Mainly stated at cost as determined by the first-in-first-out method

(The book value stated in the balance sheet is written down based on the decreased profitability.)

- ii) Accounting method for depreciation of significant assets
 - a) Property, plant and equipment (excluding leased assets and right-of-use assets)

The declining-balance method is mainly applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied to buildings acquired (excluding facilities attached to buildings) on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 by the Company and its domestic consolidated subsidiaries. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the Corporate Tax Law in Japan.

The straight-line method is mainly applied for overseas consolidated subsidiaries.
 - b) Intangible assets (excluding leased assets)

The straight-line method is applied for the Company and its domestic consolidated subsidiaries. Useful lives of the assets are estimated in consistent with the method accepted under the Corporate Tax Law in Japan. However, internal use software is amortized using the straight-line method over the estimated useful life which is internally determined (mainly five years).

The straight-line method is applied for overseas consolidated subsidiaries.
 - c) Leased assets

Leased assets are depreciated over the leased term by the straight-line method with no residual value.
 - d) Right-of-use assets

Right-of-use assets are depreciated over the leased term by the straight-line method with no residual value.
- iii) Accounting method for significant provisions
 - a) Allowance for doubtful accounts

To prepare for losses from bad debt, the Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an uncollectible amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as doubtful receivables.

Overseas consolidated subsidiaries calculate the amount of potential loss mainly estimated on an individual basis.
 - b) Provision for bonuses

To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.
 - c) Provision for bonuses for directors (and other officers)

To prepare for bonus payments to directors and operating officers, provision for bonuses for directors (and other officers) is provided based on the estimated amount of payments.
 - d) Provision for retirement benefits for directors (and other officers)

Some consolidated subsidiaries provide the necessary amount at the end of the current fiscal year in accordance with internal rules to prepare for the payment of directors' retirement benefits.
- iv) Accounting method for retirement benefits
 - a) Method of attributing expected retirement benefit to periods

In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the periods up to the end of the current fiscal year on a straight-line basis for the domestic consolidated subsidiaries and on a benefit formula basis for the overseas consolidated subsidiaries.
 - b) Method of expensing actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (mostly 10 years) within the average number of remaining service years of the eligible employees at the time they arise, and allocated proportionately beginning in the following fiscal year.
 - c) Adoption of simplified accounting method used by small companies

Some consolidated subsidiaries apply the simplified method in calculating the retirement benefit liabilities and retirement benefit expenses, which assumes the retirement benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.

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- v) Accounting policy for hedging
 - a) Accounting policy for hedging
Deferred hedge accounting is applied.
 - b) Hedging instruments and hedged items
Hedging instruments: Forward foreign exchange contract
Hedged items: Monetary receivables and payables denominated in foreign currencies and forecast transactions
 - c) Hedging policy
In accordance with the internal risk management regulations, derivative transactions are not entered into for speculative purposes and unless they are backed by actual demand.
 - d) Method of evaluating hedge effectiveness
The determination of hedging effectiveness is not performed because for forward foreign exchange contracts in place to hedge foreign-currency transactions the important conditions for the hedging instrument and the hedged item are identical, and it is expected that market fluctuations, etc., will be offset at the beginning of the hedging and continuously thereafter.
- vi) Accounting policy for goodwill
Goodwill and goodwill equivalent are amortized over the period within 20 years during which their effects remain using the straight-line method.
- vii) Scope of cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand; demand deposits; and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
- viii) Other significant matters for preparation of the consolidated financial statements
 - a) Accounting policy for consumption taxes
Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.
 - b) Application of consolidated taxation system
The consolidated taxation system is applied for the Company and its domestic consolidated subsidiaries.
 - c) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
As for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provisions of paragraph (44) of the “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph (3) of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

Notes - Changes in accounting policies

From the fiscal year ended March 31, 2020, subsidiaries using International Financial Reporting Standards (IFRS) started to apply IFRS 16 “Leases,” and assets and liabilities are recorded in principle for all leases as lessee accounting treatment. Those subsidiaries have adopted the method where the cumulative effect of applying this accounting standard is recognized at the date of initial application, which is allowed as the transition approach. The impact of the application of this accounting standard on the consolidated financial statements was immaterial.

Notes - New accounting standards not yet applied

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued by the Accounting Standards

Board of Japan on March 31, 2020)

- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 31, 2020)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Outline

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (as IFRS 15 by IASB and Topic 606 by FASB). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard for revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

These accounting standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application of the accounting standards, etc.

The impact of the application of the “Accounting Standard for Revenue Recognition,” etc. on the consolidated financial statements is currently under evaluation.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Outline

In light of the situation in which the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have established detailed guidances on fair value measurement with almost the same content (IFRS 13 “Fair Value Measurement” in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 “Fair Value Measurement” in the US GAAP), the ASBJ worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the “Accounting Standard for Fair Value Measurement” as well as issued or revised related accounting standards and implementation guidances.

The ASBJ’s basic policy for the development of the accounting standard for fair value measurement is to incorporate, in principle, all the provisions of IFRS 13 from the perspective of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not materially impaired.

(2) Scheduled date of application

These accounting standards will be applied from the beginning of the fiscal year ending March 31, 2022.

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- (3) Effects of application of the accounting standards, etc.

The impact of the application of the “Accounting Standard for Fair Value Measurement,” etc. on the consolidated financial statements is currently undetermined.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued by the Accounting Standards Board of Japan on March 31, 2020)

- (1) Outline

With regard to “sources of estimation uncertainty,” which is required to be disclosed in paragraph (125) of International Accounting Standard (IAS) 1 “Presentation of Financial Statements” (“IAS 1”) issued by the International Accounting Standards Board (IASB) in 2003, in order to oblige requests to consider requiring that those sources of estimation uncertainty to be treated as information that is highly useful to users of financial statements and disclosed in the form of note information in the Japanese GAAP as well, the ASBJ developed and issued the Accounting Standard for Disclosure of Accounting Estimates (“Accounting Standard”).

The ASBJ’s basic policy for the development of the Accounting Standard is to present the principle (disclosure purpose) instead of enhancing individual notes, and place the onus on entities to determine the specific information to be disclosed according to the disclosure purpose, while referring to the provision of paragraph (125) of IAS 1 in the development.

- (2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued by the Accounting Standards Board of Japan on March 31, 2020)

- (1) Outline

After receiving proposals for considering the enhancement of information in notes on “accounting policies and procedures adopted in cases where the relevant provisions set forth in accounting standards and other regulations are not clear,” the ASBJ made necessary amendments to ASBJ Statement No. 24, including renaming it, and issued the revised accounting standard as the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

When enhancing information in notes on “accounting policies and procedures adopted in cases where the relevant provisions set forth in accounting standards and other regulations are not clear,” the Annotations on the Corporate Accounting Principles (Annotation No. 1-2) shall be continued to be followed to avoid affecting established accounting practices in cases where the relevant provisions set forth in accounting standards and other regulations are clear.

- (2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal year ending March 31, 2021.

Notes - Changes in presentation

The presentation of certain accounts of the previous fiscal year has been changed to conform with the presentation adopted for the current fiscal year.

Consolidated statement of income

“Loss related to anti-monopoly act” included in “Other” under “Extraordinary losses” in the fiscal year ended March 31, 2019 is presented separately from the fiscal year ended March 31, 2020 due to an increase in materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in the consolidated statement of income for the fiscal year ended March 31, 2019, the ¥668 million that was included in “Other” under “Extraordinary losses” has been reclassified as ¥579 million under “Loss related to anti-monopoly act” and ¥88 million under “Other.”

Consolidated statement of cash flows

“Loss related to anti-monopoly act” included in “Other, net” under “Cash flows from operating activities” in the fiscal year ended March 31, 2019 is presented separately from the fiscal year ended March 31, 2020 due to an increase in materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, in the consolidated statement of cash flows for the fiscal year ended March 31, 2019, the ¥682 million that was included in “Other, net” under “Cash flows from operating activities” has been reclassified as ¥579 million under “Loss related to anti-monopoly act” and ¥103 million under “Other, net.”

Notes - Additional information*Accounting estimates associated with the novel coronavirus disease (COVID-19)*

We recognize that the spread of novel coronavirus disease (COVID-19) has a widespread impact on economic activities, and we anticipate that it will also have a considerable impact on the performance of the Company group (the “Group”) in the future. Although some factors are difficult to reflect in future financial forecasts, such as the impact of COVID-19 and when it will fade away, regarding impairment of non-current assets and recoverability of deferred tax assets, etc., we conducted verifications based on the information available as of the end of the fiscal year ended March 31, 2020.

After careful consideration based on the above, an impairment loss on goodwill of ¥5,206 million was recorded at the end of the fiscal year ended March 31, 2020. We have determined that COVID-19 will not have a significant impact on other items that require accounting estimates. However, depending on the future changes in the economic environment, it may have an impact on the consolidated financial statements from the next fiscal year.

Notes - Consolidated balance sheet

*1 Investments in associates are as follows:

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Investment securities (shares)	1,349	561

*2 Promissory notes due on the balance sheet date

Promissory notes due on the balance sheet date are accounted for as settled on the clearing date. However, the reporting date of fiscal year of some consolidated subsidiaries was different from reporting date of consolidated balance sheet, and it is non-business day for financial institution. The following promissory notes due on the reporting date are including in the balance at the end of the fiscal year.

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Notes receivable - trade	61	18

Notes - Consolidated statement of income

*1 The amount of inventories at the fiscal year-end represents the amount after writing down of the book value due to declines in profitability of assets, and the following loss on revaluation of inventories is included in the cost of sales. (The figure in parenthesis represents the amount of reversal.)

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
	(583)	169

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*2 Major items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Freight costs and fees	5,771	5,740
Research and development expenses	13,039	12,921
Employees' salaries and allowances	10,975	11,745
Retirement benefit expenses	663	665
Provision for bonuses	1,587	1,813
Provision for bonuses for directors (and other officers)	257	233
Depreciation	820	1,160
Provision of allowance for doubtful accounts	28	(31)

*3 Total amount of research and development expenses included in general and administrative expenses and production cost in the current period

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
	13,039	12,921

*4 Details of gain on sales of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Buildings and structures	—	119
Machinery, equipment and vehicles	14	13
Land	0	15
Other	2	0
Total	16	148

*5 Details of loss on sales and retirement of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Loss on retirement of non-current assets		
Buildings and structures	212	389
Machinery, equipment and vehicles	141	268
Other	56	18
Subtotal	409	676
Loss on sale of non-current assets		
Machinery, equipment and vehicles	53	75
Land	24	—
Other	6	11
Subtotal	84	87
Total	494	764

*6 Impairment loss

The Group recorded impairment losses with respect to the following asset groups.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	Ome-shi, Tokyo, Others	¥3,892 million
Buildings and structures	Idle assets	Ome-shi, Tokyo, Others	¥606 million
Other	Idle assets	Inami-cho, Wakayama, Others	¥115 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss. It is noted that the recoverable amount is measured principally at value in use, and the amount is assessed at zero because no future cash flows are expected from the assets.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	Philippines, Inami-cho, Wakayama, Others	¥83 million
Goodwill	Other	—	¥5,206 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

Regarding goodwill that arose when consolidated subsidiary ELNA CO., LTD. came within the scope of consolidation, in addition to sluggish demand in the automobile market from the previous fiscal year, the spread of COVID-19 and other factors have led automobile manufacturers, which are our main customers, to slow down their operations. Regarding the impact of COVID-19, given the external information available at the end of the fiscal year ended March 31, 2020, based on the assumption that the impact will continue for a certain period into the next fiscal year (fiscal year ending March 31, 2021), the revenue initially estimated can no longer be expected, and therefore its book values have been written down to the recoverable value and such reduction was recorded as impairment loss.

It is noted that the recoverable amount is measured at value in use and is assessed by discounting future cash flows at a rate of 6.32%.

*7 Business restructuring expenses

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

The Group has recorded the expenses incurred from the structural reform of its overseas subsidiaries (consisting primarily of special retirement payments resulting from reorganization of overseas business sites) as business restructuring expenses and presented as extraordinary losses.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Not applicable

*8 Loss on disaster and insurance claim income

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Not applicable

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Due to the impact of Typhoon Hagibis (Typhoon No. 19) that occurred in October 2019, our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD. (Date-shi, Fukushima) suffered damage, and the amount of loss due to that disaster is recorded as "Loss on disaster."

In addition, non-life insurance claims related to the occurrence of disasters are recorded as "Insurance claim income."

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*9 Loss related to anti-monopoly act

The Company has recorded a surcharge under the Anti-monopoly Act for transactions of aluminum electrolytic capacitors, etc. at its subsidiary ELNA CO., LTD., a cost for responding to an investigation by competition authorities, and a settlement for a class action lawsuit.

Notes - Consolidated statement of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities:		
Amount arising during the year	(520)	(1,100)
Reclassification adjustments	(1,483)	(10)
Before tax effects adjustments	(2,003)	(1,110)
Tax effect	626	22
Valuation difference on available-for-sale securities	(1,377)	(1,088)
Deferred gains or losses on hedges:		
Amount arising during the year	(194)	(269)
Reclassification adjustments	213	183
Before tax effects adjustments	18	(85)
Tax effect	(1)	1
Deferred gains or losses on hedges	17	(84)
Foreign currency translation adjustment:		
Amount arising during the year	(674)	(5,075)
Reclassification adjustments	—	—
Before tax effects adjustments	(674)	(5,075)
Tax effect	—	—
Foreign currency translation adjustment	(674)	(5,075)
Remeasurements of defined benefit plans:		
Amount arising during the year	(571)	(473)
Reclassification adjustments	(10)	46
Before tax effects adjustments	(582)	(427)
Tax effect	13	3
Remeasurements of defined benefit plans	(568)	(423)
Total other comprehensive income	(2,602)	(6,671)

Notes - Consolidated statement of changes in equity

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)				
	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock (Note) 1	120,481	9,737	—	130,218
Total	120,481	9,737	—	130,218
Treasury shares				
Common stock (Note) 2, (Note) 3	2,645	1,265	1,354	2,555
Total	2,645	1,265	1,354	2,555

- (Notes) 1. The number of shares of common stock issued has increased by 9,737 thousand shares due to exercise of the share acquisition rights attached to convertible bond-type bonds with share acquisition rights.
2. The 1,265 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 1,264 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors, an increase of zero thousand shares due to purchase of fractional shares, and an increase of zero thousand shares due to purchase of treasury shares to deal with a fraction less than one share resulting from the share exchange.
3. The 1,354 thousand share decrease in the number of treasury shares of common stock is attributable to a decrease of 1,306 thousand shares due to the share exchange and a decrease of 48 thousand shares due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	—	—	—	—	—	24
	Share acquisition rights under 2008 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2009 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2010 Stock Option Plan	—	—	—	—	—	6
	Share acquisition rights under 2011 Stock Option Plan	—	—	—	—	—	8
	Share acquisition rights under 2012 Stock Option Plan	—	—	—	—	—	6
	Share acquisition rights under 2013 Stock Option Plan	—	—	—	—	—	22
	Share acquisition rights under 2014 Stock Option Plan	—	—	—	—	—	29
	Share acquisition rights under 2015 Stock Option Plan	—	—	—	—	—	63
	Share acquisition rights under 2016 Stock Option Plan	—	—	—	—	—	44
	Share acquisition rights under 2017 Stock Option Plan	—	—	—	—	—	91
	Share acquisition rights under 2018 Stock Option Plan	—	—	—	—	—	144
Total		—	—	—	—	—	453

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3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	1,178	10	March 31, 2018	June 29, 2018
Board of Directors meeting held on November 9, 2018	Common stock	1,276	10	September 30, 2018	December 4, 2018

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	1,404	Retained earnings	11	March 31, 2019	June 28, 2019

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	130,218	—	—	130,218
Total	130,218	—	—	130,218
Treasury shares				
Common stock (Note) 1, (Note) 2	2,555	2,172	13	4,715
Total	2,555	2,172	13	4,715

(Notes) 1. The 2,172 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 2,170 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors and an increase of two thousand shares due to purchase of fractional shares.

2. The decrease of 13 thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	—	—	—	—	—	24
	Share acquisition rights under 2008 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2009 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2010 Stock Option Plan	—	—	—	—	—	6
	Share acquisition rights under 2011 Stock Option Plan	—	—	—	—	—	8
	Share acquisition rights under 2012 Stock Option Plan	—	—	—	—	—	6
	Share acquisition rights under 2013 Stock Option Plan	—	—	—	—	—	22
	Share acquisition rights under 2014 Stock Option Plan	—	—	—	—	—	27
	Share acquisition rights under 2015 Stock Option Plan	—	—	—	—	—	60
	Share acquisition rights under 2016 Stock Option Plan	—	—	—	—	—	41
	Share acquisition rights under 2017 Stock Option Plan	—	—	—	—	—	86
	Share acquisition rights under 2018 Stock Option Plan	—	—	—	—	—	181
	Share acquisition rights under 2019 Stock Option Plan	—	—	—	—	—	85
	Total	—	—	—	—	—	563

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	1,404	11	March 31, 2019	June 28, 2019
Board of Directors meeting held on November 11, 2019	Common stock	1,380	11	September 30, 2019	December 2, 2019

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	1,882	Retained earnings	15	March 31, 2020	June 29, 2020

Notes - Consolidated statement of cash flows

*1 Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance

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sheet

(Millions of yen)

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Cash and deposits	56,430	59,622
Time deposits with a deposit period of over 3 months	(4,776)	(2,337)
Cash and cash equivalents	51,654	57,285

*2 Major breakdown of assets and liabilities of a company that became a consolidated subsidiary in the previous fiscal year resulting from the acquisition of its shares

As a result of the Company acquiring additional shares of ELNA CO., LTD., which had been an equity-method associate, ELNA CO., LTD. and its eight subsidiaries are newly added to the scope of consolidation. The breakdown of assets and liabilities at the start of consolidation, and the relation between the cost and the net cash used for acquisition of the shares of ELNA CO., LTD. are as follows:

(Millions of yen)

Current assets	17,848
Non-current assets	6,794
Goodwill	6,310
Current liabilities	(23,578)
Non-current liabilities	(1,377)
Share acquisition rights	(23)
Subtotal	5,975
Valuation under the equity method before acquisition of control	(726)
Gain on step acquisitions	(249)
Acquisition cost for additional shares	5,000
Cash and cash equivalents of newly consolidated subsidiaries	(10,148)
Purchase of shares, net of cash provided	(5,148)

*3 Description of significant non-cash transactions

(1) Exercise of share acquisition rights attached to convertible bond-type bonds with share acquisition rights

(Millions of yen)

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Increase in share capital due to exercise of share acquisition rights	10,017	—
Increase in legal capital surplus due to exercise of share acquisition rights	10,017	—
Decrease in convertible bonds with share acquisition rights due to exercise of share acquisition rights	20,035	—

(2) Decrease in treasury shares and increase in capital surplus due to share exchange

(Millions of yen)

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Decrease in treasury shares due to share exchange	1,631	—
Decrease in capital surplus due to share exchange	1,631	—

Notes - Leases

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Details of leased assets

Property, plant and equipment

Principally production facilities (machinery, equipment and vehicles)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

2. Right-of-use assets

i) Details of right-of-use assets

Property, plant and equipment

Principally plants and offices (land, buildings and structures)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

3. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease transactions

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Within one year	275	68
Over one year	620	105
Total	895	173

(Note) As subsidiaries using IFRS started to apply IFRS 16 “Leases” from the fiscal year ended March 31, 2020, the operating lease related to subsidiaries is included only in the amount for the previous fiscal year.

Notes - Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group, which mainly produces and markets electronic components, procures short-term operating funds through bank loans, and long-term funds for capital investment, etc. through bank loans and issuance of corporate bonds in accordance with a capital investment plan. Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Group uses derivative transactions to hedge risks stated below, and does not intend to use them for speculative purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Trade receivables are exposed to customer credit risk. Therefore, the Group manages due dates and balances for each customer, and makes efforts to early recognize concerns about collectibility and reduces its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Group has business relationship are managed by reviewing market values and financial conditions of issuers on a regular basis.

Payment due dates of most trade payables are within one year.

The Group uses bank borrowings mainly for the purpose of procuring funds necessary for capital investment. Bank borrowings are not exposed to interest rate fluctuation risk as their interest rates are fixed.

Operating receivables and payables denominated in foreign currencies, arising from global business operations, are exposed to exchange rate fluctuation risk, but the risk is hedged by using forward foreign exchange contracts. Forward exchange contracts are used for operating receivables and payables, which are certain to arise from export and import transactions. The Group engages in derivative transactions only with high-rated financial institutions.

The finance department executes and manages derivative transactions in accordance with the internal risk management regulations that stipulates trading authority, the limit amount and other related matters. The

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department also records details of transactions and check balances with counterparties. The results of transactions are reported by the head of the finance department to the chief of headquarters in charge.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

(3) Supplemental information on fair value of financial instruments

The fair value of financial instruments include the value based on market prices and reasonably determined value in cases where market prices are not available. As the value not based on market quotations is calculated by incorporating variable factors, it can vary depending on assumptions adopted.

2. Fair value of financial instruments

Carrying amounts in the consolidated balance sheet, fair value, and the difference between them are as shown below. The amounts shown in the following tables do not include financial instruments whose fair values are deemed to be extremely difficult to determine (see Note 2).

As of March 31, 2019

(Millions of yen)			
	Carrying amounts	Fair value	Difference
(1) Cash and deposits	56,430	56,430	—
(2) Notes and accounts receivable - trade	62,745	62,745	—
(3) Investment securities			
Other securities (available-for-sale securities)	3,379	3,379	—
Total assets	122,554	122,554	—
(4) Notes and accounts payable - trade	25,031	25,031	—
(5) Short-term borrowings	23,152	23,152	—
(6) Accounts payable - other	13,405	13,405	—
(7) Income taxes payable	5,085	5,085	—
(8) Long-term borrowings (*1)	30,892	30,339	(553)
Total liabilities	97,567	97,013	(553)
(9) Derivative transactions (*2)	(274)	(274)	—

(*1) The amounts include current portion of long-term borrowings.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

As of March 31, 2020

(Millions of yen)			
	Carrying amounts	Fair value	Difference
(1) Cash and deposits	59,622	59,622	—
(2) Notes and accounts receivable - trade	64,680	64,680	—
(3) Investment securities			
Other securities (available-for-sale securities)	2,104	2,104	—
Total assets	126,407	126,407	—
(4) Notes and accounts payable - trade	26,603	26,603	—
(5) Short-term borrowings	19,250	19,250	—
(6) Accounts payable - other	16,813	16,813	—
(7) Income taxes payable	1,903	1,903	—
(8) Long-term borrowings (*1)	37,415	36,882	(533)
Total liabilities	101,985	101,451	(533)
(9) Derivative transactions (*2)	(22)	(22)	—

(*1) The amounts include current portion of long-term borrowings.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

(Notes) 1. Measurement methods for fair values of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(3) Investment securities

The fair values of investment securities are stated at price on exchange market.

Liabilities

(4) Notes and accounts payable - trade, (5) Short-term borrowings, (6) Accounts payable - other, (7) Income taxes payable

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(8) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made.

(9) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by correspondent financial institutions.

2. Financial instruments whose fair value is considered to be extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2019	As of March 31, 2020
Unlisted equity securities	23	1
Shares of associates	1,349	561
Equities of limited liability partnerships for investment business and of other similar partnerships	8	3

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, it is considered extremely difficult to determine their fair value, and therefore they are not included in "Assets (3) Investment securities."

3. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date
As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	56,337	—
Notes and accounts receivable - trade	62,745	—
Total	119,084	—

As of March 31, 2020

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	59,568	—
Notes and accounts receivable - trade	64,680	—
Total	124,249	—

4. Repayment schedule for short-term borrowings and long-term borrowings after the consolidated balance sheet date
As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	23,152	—	—	—	—	—
Long-term borrowings	2,477	2,663	13,462	3,786	8,461	41
Total	25,629	2,663	13,462	3,786	8,461	41

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As of March 31, 2020

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	19,250	—	—	—	—	—
Long-term borrowings	2,663	13,462	3,786	17,461	9	31
Total	21,913	13,462	3,786	17,461	9	31

Notes - Securities

1. Other securities (available-for-sale securities)

As of March 31, 2019

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	3,209	1,508	1,701
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	3,209	1,508	1,701
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	169	223	(54)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	169	223	(54)
Total		3,379	1,732	1,647

As of March 31, 2020

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	1,988	1,415	573
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1,988	1,415	573
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	115	152	(36)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	115	152	(36)
Total		2,104	1,567	536

2. Other securities (available-for-sale securities) sold

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)			
Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	2,396	1,507	—
(2) Bonds			
i) Government bonds, local government bonds, etc.	—	—	—
ii) Corporate bonds	—	—	—
iii) Other	—	—	—
(3) Other	71	28	—
	2,467	1,535	—

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)			
Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	179	16	(5)
(2) Bonds			
i) Government bonds, local government bonds, etc.	—	—	—
ii) Corporate bonds	—	—	—
iii) Other	—	—	—
(3) Other	—	—	—
	179	16	(5)

3. Impaired securities

The Company has recorded an impairment loss on securities of ¥52 million (other securities of ¥52 million) for the fiscal year ended March 31, 2019.

The Company has recorded an impairment loss on securities of ¥17 million (other securities of ¥17 million) for the fiscal year ended March 31, 2020.

The Company records an impairment loss on all securities whose fair values as of the end of the fiscal year are less than 50% of their acquisition costs. For securities whose fair values as of the end of the fiscal year decreased by 30% to 50% from their acquisition costs, the Company records an impairment loss when it is deemed necessary by examining the recoverability of the amount.

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Notes - Derivatives

1. Derivatives to which hedge accounting is not applied

Currency derivatives

As of March 31, 2019

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract				
	Sell				
	US dollars	25,341	—	(295)	(295)
	Buy				
	US dollars	2,196	—	18	18

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2020

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract				
	Sell				
	US dollars	31,536	—	80	80
	Buy				
	US dollars	2,193	—	(20)	(20)

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

2. Derivatives to which hedge accounting is applied

Currency derivatives

As of March 31, 2019

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract				
	Sell				
	US dollars	Forecast transaction	8,260	—	6
	Buy				
	US dollars	Forecast transaction	2,213	—	(3)

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2020

(Millions of yen)					
Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	8,011	—	(107)
	Buy US dollars	Forecast transaction	2,144	—	25

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

Notes - Retirement benefits

1. Outline of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have mainly adopted defined contribution pension plans and prepaid retirement plans.

Certain overseas consolidated subsidiaries have mainly adopted defined benefit plans (lump-sum retirement benefit plans).

As overseas consolidated subsidiaries apply IFRS, they account for retirement benefits in accordance with IAS 19 “Employee Benefits” (as amended on June 16, 2011).

2. Defined benefit plan

(1) Reconciliation between the opening and closing balances of retirement benefit obligations

(Millions of yen)		
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Opening balance of retirement benefit obligations	4,444	5,202
Service cost	562	665
Interest cost	146	125
Actuarial gains and losses incurred	535	378
Retirement benefits paid	(1,038)	(374)
Changes resulting from change in the scope of consolidation	519	—
Other	31	(259)
Closing balance of retirement benefit obligations	5,202	5,736

(2) Reconciliation between the opening and closing balances of plan assets

(Millions of yen)		
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Opening balance of plan assets	1,578	1,476
Interest income	77	60
Actuarial gains and losses incurred	(35)	(95)
Amount of employer contribution	406	194
Retirement benefits paid	(505)	(96)
Other	(44)	5
Closing balance of plan assets	1,476	1,544

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- (3) Reconciliation between the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Retirement benefit obligations from funded plans	1,873	2,153
Plan assets	(1,476)	(1,544)
	397	608
Retirement benefit obligations from non-funded plans	3,328	3,572
Net amount of liability and asset recorded in the consolidated balance sheet	3,725	4,181
Net defined benefit liability	3,742	4,200
Net defined benefit asset	(16)	(19)
Net amount of liability and asset recorded in the consolidated balance sheet	3,725	4,181

- (4) Amounts of retirement benefit expenses and their components

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Service cost	562	665
Net interest	69	64
Amortization of actuarial gains and losses	(10)	47
Amortization of past service cost	(0)	(0)
Retirement benefit expenses for defined benefit plan	621	776

Notes: 1. In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ PITF No. 18, February 19, 2010), the total amounts of actuarial differences are systematically expensed each year over a certain number of years within the employees’ average remaining years of service.

2. Other than the above retirement benefit expenses associated with the defined benefit pension plan, during the previous fiscal year, the Company has recorded ¥1,755 million of expenses incurred for voluntary retirement of employees for overseas subsidiaries as “Business restructuring expenses” under “Extraordinary losses.”

- (5) Remeasurements of defined benefit plans, net of tax (Consolidated statement of comprehensive income)
The breakdown of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Past service cost	(1)	(0)
Actuarial gains and losses	(581)	(426)
Total	(582)	(427)

- (6) Remeasurements of defined benefit plans (Consolidated balance sheet)
The breakdown of remeasurements of defined benefit plans (before deduction of tax effects) is as follows:

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Unrecognized past service cost	(1)	(1)
Unrecognized actuarial gains and losses	(328)	(754)
Total	(329)	(756)

(7) Plan assets

i) Major components of plan assets

The ratio of major categories to total plan assets is as follows:

	As of March 31, 2019	As of March 31, 2020
Bonds	62	66
Shares	19	13
Cash and deposits	13	10
Other	6	11
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement benefit plan, accounts for 75% and 75% of total plan assets during the fiscal year ended March 31, 2019 and 2020, respectively.

ii) Long-term expected rate of return

The long-term expected rate of return is not specified as IAS 19 is applied.

(8) Basis for actuarial calculations

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Discount rate	1.00 - 5.88	0.00 - 5.00
Forecasted rate of salary increase	2.30 - 5.00	2.30 - 5.00

3. Defined contribution plan

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,353 million in the previous fiscal year and ¥1,378 million in the current fiscal year.

Notes - Stock options, etc.

1. Expenses and account titles for stock options

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Selling, general and administrative expenses	170	133

2. Amounts recorded as gains due to vested stock options unexercised

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Extraordinary income	23	—

3. Details, size and changes in the number of stock options

(1) Details of stock options

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 32,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From July 1, 2006 to March 31, 2007
Exercise period	From July 14, 2007 to July 13, 2027

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Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2007 to March 31, 2008
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 27, 2008
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 14, 2008
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2008 to March 31, 2009
Exercise period	From July 15, 2008 to July 14, 2028

Company name	Reporting company
Resolution date	May 25, 2009
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 37,000 shares
Grant date	June 9, 2009
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2009 to March 31, 2010
Exercise period	From June 10, 2009 to June 9, 2029

Company name	Reporting company
Resolution date	June 29, 2010
Category and number of people to whom stock options are granted	7 Directors of the Company
Class and number of shares granted	Common stock: 39,000 shares
Grant date	July 21, 2010
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2010 to March 31, 2011
Exercise period	From July 22, 2010 to July 21, 2030

Company name	Reporting company
Resolution date	June 29, 2011
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 44,000 shares
Grant date	July 14, 2011
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2011 to March 31, 2012
Exercise period	From July 14, 2011 to July 13, 2031

Company name	Reporting company
Resolution date	April 25, 2012
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 38,000 shares
Grant date	May 11, 2012
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2012 to March 31, 2013
Exercise period	From May 11, 2012 to May 10, 2032

Company name	Reporting company
Resolution date	May 24, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 10,000 shares
Grant date	June 10, 2013
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2013 to June 27, 2013
Exercise period	From June 10, 2013 to June 9, 2033

Company name	Reporting company
Resolution date	June 27, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 31,000 shares
Grant date	July 12, 2013
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2013 to June 27, 2014
Exercise period	From July 12, 2013 to July 11, 2033

Company name	Reporting company
Resolution date	June 27, 2014
Category and number of people to whom stock options are granted	6 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 55,000 shares
Grant date	July 14, 2014
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2014 to June 26, 2015
Exercise period	From July 14, 2014 to July 13, 2034

Company name	Reporting company
Resolution date	June 26, 2015
Category and number of people to whom stock options are granted	6 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 62,000 shares
Grant date	July 13, 2015
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2015 to June 29, 2016
Exercise period	From July 13, 2015 to July 12, 2035

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Company name	Reporting company
Resolution date	November 5, 2015
Category and number of people to whom stock options are granted	1 Director of the Company 1 Operating Officer of the Company
Class and number of shares granted	Common stock: 2,000 shares
Grant date	November 20, 2015
Vesting conditions	No vesting conditions attached
Target service period	From November 1, 2015 to June 29, 2016
Exercise period	From November 20, 2015 to November 19, 2035

Company name	Reporting company
Resolution date	June 29, 2016
Category and number of people to whom stock options are granted	5 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 64,000 shares
Grant date	July 15, 2016
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2016 to June 29, 2017
Exercise period	From July 15, 2016 to July 14, 2036

Company name	Reporting company
Resolution date	June 29, 2017
Category and number of people to whom stock options are granted	5 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 61,000 shares
Grant date	July 18, 2017
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2017 to June 28, 2018
Exercise period	From July 18, 2017 to July 17, 2037

Company name	Reporting company
Resolution date	June 28, 2018
Category and number of people to whom stock options are granted	4 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 57,000 shares
Grant date	July 18, 2018
Vesting conditions	No vesting conditions attached
Target service period	From June 28, 2018 to June 27, 2019
Exercise period	From July 18, 2018 to July 17, 2038

Company name	Reporting company
Resolution date	June 27, 2019
Category and number of people to whom stock options are granted	5 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 18, 2019
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2019 to June 26, 2020
Exercise period	From July 18, 2019 to July 17, 2039

(2) Size and changes in the number of stock options

The following describes the number of stock options that existed during the current fiscal year (fiscal year ended March 31, 2020). The number of stock options is translated into the number of shares.

i) Number of stock options

(Shares)				
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Stock options before vesting				
At the end of previous fiscal year	—	—	—	—
Granted	—	—	—	—
Lapsed	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
Stock options after vesting				
At the end of previous fiscal year	3,000	6,000	6,000	6,000
Vested	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	—	—
Exercisable	3,000	6,000	6,000	6,000

(Shares)				
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Stock options before vesting				
At the end of previous fiscal year	—	—	—	—
Granted	—	—	—	—
Lapsed	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
Stock options after vesting				
At the end of previous fiscal year	6,000	9,000	9,000	2,000
Vested	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	—	—
Exercisable	6,000	9,000	9,000	2,000

(Shares)				
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Stock options before vesting				
At the end of previous fiscal year	—	—	—	—
Granted	—	—	—	—
Lapsed	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
Stock options after vesting				
At the end of previous fiscal year	13,000	29,000	40,000	1,000
Vested	—	—	—	—
Exercised	—	2,000	2,000	—
Lapsed	—	—	—	—
Exercisable	13,000	27,000	38,000	1,000

Consolidated Financial Statements

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	June 27, 2019
Stock options before vesting				
At the end of previous fiscal year	—	—	—	—
Granted	—	—	—	59,000
Lapsed	—	—	—	—
Vested	—	—	—	59,000
Unvested balance	—	—	—	—
Stock options after vesting				
At the end of previous fiscal year	53,000	52,000	57,000	—
Vested	—	—	—	59,000
Exercised	3,000	3,000	3,000	—
Lapsed	—	—	—	—
Exercisable	50,000	49,000	54,000	59,000

ii) Unit price information

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Exercise price	1	1	1	1
Average share price at exercise	—	—	—	—
Fair value unit price on grant date	2,761	2,761	966	947

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Exercise price	1	1	1	1
Average share price at exercise	—	—	—	—
Fair value unit price on grant date	1,013	948	739	1,625

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Exercise price	1	1	1	1
Average share price at exercise	—	2,175	2,175	—
Fair value unit price on grant date	1,476	1,032	1,543	1,914

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	June 27, 2019
Exercise price	1	1	1	1
Average share price at exercise	2,175	2,175	2,175	—
Fair value unit price on grant date	834	1,762	3,369	1,927

4. Method of estimating fair value unit price of stock options

The fair value unit price of the stock options determined by the resolution on June 27, 2019 and granted during

the fiscal year ended March 31, 2020, was estimated based on the following:

- (1) Valuation techniques used Black-Scholes Model
- (2) Major basic numerical values and estimation method

Resolution date	June 27, 2019
Volatility of share price (Note) 1	47.3%
Estimated remaining outstanding period (Note) 2	4.6 years
Estimated dividend (Note) 3	¥21/share
Risk-free interest rate (Note) 4	(0.22)%

- (Notes) 1. The volatility of share price is estimated based on weekly historical share prices from December 8, 2014 to July 8, 2019.
2. The estimated remaining outstanding period refers to the average period of service as Director less the already served period of service as Director. The stock options are assumed to be exercised immediately after the Director's retirement as Director.
3. The estimated dividend is based on the actual per share dividend distributed in the fiscal year ended March 31, 2019.
4. The risk-free interest rate represents the interest rate on Japanese government bonds with the remaining period corresponding to the estimated remaining outstanding period.

5. Method of estimating number of stock options vested

The number of stock options vested is equal to the number of stock options granted since the options were vested on the grant date.

Consolidated Financial Statements

Notes - Tax effect accounting

1. Breakdown of major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Deferred tax assets		
Inventories	2,309	1,621
Accrued expenses	365	392
Accrued enterprise tax	375	169
Provision for bonuses	1,240	1,408
Investment securities, etc.	577	146
Allowance for doubtful accounts	102	126
Accounting depreciation in excess of tax depreciation	2,948	2,425
Lump-sum depreciable assets	324	330
Retirement benefit liability	897	959
Prepaid retirement benefit	1,566	1,490
Loss carried forward (Note) 2	8,766	6,096
Other	2,437	2,125
Deferred tax assets subtotal	21,911	17,292
Valuation allowance for tax losses carried forward (Note) 2	(7,133)	(5,499)
Valuation allowance for total deductible temporary differences, etc.	(8,911)	(6,370)
Valuation allowance subtotal (Note) 1	(16,045)	(11,870)
Offsetting	(2,001)	(4,107)
Deferred tax assets total	3,864	1,314
Deferred tax liabilities		
Inventories	466	796
Undistributed profits of overseas subsidiaries	4,072	4,236
Reserve for advanced depreciation of non-current assets	727	726
Valuation difference on available-for-sale securities	135	113
Other	1,371	1,632
Offsetting	(2,001)	(4,107)
Deferred tax liabilities total	4,771	3,397
Net deferred tax assets (liabilities)	(907)	(2,083)

(Notes) 1. The change in valuation allowances is attributable mainly to a decrease in valuation allowances resulting from a decrease in temporary differences associated with inventories and accounting depreciation in excess of tax depreciation, etc. and a decrease in valuation allowance due to reversal of loss carried forward.

2. Amounts of tax losses carried forward and associated deferred tax assets by expiration period

As of March 31, 2019

	(Millions of yen)						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*1)	1,090	1,950	1,912	198	155	3,459	8,766
Valuation allowance	(1,078)	(1,041)	(1,239)	(198)	(155)	(3,419)	(7,133)
Deferred tax assets	11	909	673	—	—	39	(*2) 1,633

(*1) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

(*2) Deferred tax assets associated with tax losses carried forward are assessed to be recoverable based on the estimated amount of taxable income in the future.

As of March 31, 2020

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	839	1,193	198	156	901	2,807	6,096
Valuation allowance	(839)	(627)	(198)	(156)	(900)	(2,776)	(5,499)
Deferred tax assets	—	565	—	—	0	30	596

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

2. Breakdown of major items of differences between the statutory effective tax rate and the effective income tax rate after applying tax effect accounting

(%)

	As of March 31, 2019	As of March 31, 2020
Statutory effective tax rate	30.5	30.5
Adjustments		
Tax rate differences of the overseas subsidiaries	(4.2)	(5.8)
Undistributed profits of the overseas subsidiaries	0.9	0.6
Valuation allowance	(8.1)	(6.0)
Tax credit for research and development expenses	(3.5)	(2.4)
Foreign tax	1.0	1.4
Unrealized profit on inventories	(1.5)	(0.2)
Expenses not deductible permanently such as entertainment expenses	0.5	0.2
Impairment loss on goodwill	—	6.7
Other	0.1	(0.7)
Effective income tax rate after applying tax effect accounting	15.7	24.3

Notes - Business combinations

Not applicable

Notes -Asset retirement obligations

The total amount of asset retirement obligations is not disclosed as it is immaterial.

Notes - Real estate for lease, etc.

The total amount of real estate for lease, etc. is not disclosed as it is immaterial.

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

[Notes - Related information]

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Information for each product or service

(Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Other	Total
Net sales for external customers	170,633	40,595	47,930	15,189	274,349

Consolidated Financial Statements

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
29,343	96,256	44,240	104,508	274,349

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
84,970	10,636	16,085	13,825	125,517

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Information for each product or service (Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Other	Total
Net sales for external customers	176,457	38,770	49,808	17,292	282,329

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
26,848	98,462	54,395	102,622	282,329

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
96,565	12,478	21,041	14,314	144,400

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

[Disclosure of impairment losses on non-current assets for each reportable segment]

Information on impairment losses is not disclosed as the Group has a single segment.

[Amortization and unamortized balance of goodwill for each reportable segment]

Information on amortization and unamortized balance of goodwill is not disclosed as the Group has a single segment.

[Information about gains on bargain purchase for each reportable segment]

Not applicable

[Notes - Related party transactions]

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Type	Name	Location	Share capital or investments in capital (Millions of yen)	Business activities or occupation	Ownership (owned) ratio of voting rights, etc.	Relationship of related party	Transactions	Transaction amounts (Millions of yen)	Account item	Closing balance
Associate	ELNA CO., LTD.	Kohoku-ku, Yokohama-shi, Kanagawa	4,011	Development and Sales of Electronic Components	Ownership Direct 22.3%	Business partnership	Underwriting of capital increase (Note)	5,000	—	—

(Note) The Company has underwritten ELNA CO., LTD.'s capital increase carried out by way of third-party allotment for 65 yen per share.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Not applicable

Notes - Per share information

(Yen)

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Net assets per share	1,609.72	1,672.40
Basic earnings per share	189.93	143.04
Diluted earnings per share	185.87	142.67

(Notes) 1. The basis for calculation of net assets per share is as follows:

	As of March 31, 2019	As of March 31, 2020
Total net assets (Millions of yen)	205,953	210,454
Amounts deducted from total net assets (Millions of yen)	453	563
[Of the above, share acquisition rights (Millions of yen)]	[453]	[563]
[Of the above, non-controlling interests (Millions of yen)]	[—]	[—]
Net assets related to common stock (Millions of yen)	205,500	209,891
Number of common stock used to calculate net assets per share (Thousand shares)	127,662	125,502

Consolidated Financial Statements

2. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	23,687	18,022
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	23,687	18,022
Average number of outstanding common stock during period (Thousand shares)	124,718	126,000
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	(2)	—
[Of the above, interest on bonds (net of tax) (Millions of yen)]	[(2)]	[—]
Increase in the number of common stock (Thousand shares)	2,711	323
[Of the above, convertible bond-type bonds with share acquisition rights (Thousand shares)]	[2,434]	[—]
[Of the above, share acquisition rights (Thousand shares)]	[277]	[323]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	—	—

Notes - Significant events after reporting period

Not applicable

5) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at the beginning of current period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	23,152	19,250	0.35	—
Current portion of long-term borrowings	2,477	2,663	0.52	—
Current portion of lease obligations	512	662	4.96	—
Long-term borrowings (excluding current portion)	28,415	34,752	0.36	From April 2021 to September 2037
Lease obligations (excluding current portion)	1,624	2,352	4.96	From April 2021 to October 2043
Other interest-bearing liabilities				
“Other” in current liabilities	61	—	—	—
“Other” in non-current liabilities	5	—	—	—
Total	56,249	59,681	—	—

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the current period.

2. The average interest rate for the lease obligations presented above is based on the standard method of calculation and does not reflect interest rates for lease obligations recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest expenses included in the total lease payments.

3. Other interest-bearing liabilities represent accounts payable arising from sale and hire purchase back transactions and long-term accounts payable.

4. As subsidiaries using IFRS started to apply IFRS 16 “Leases” from the fiscal year ended March 31, 2020, the balance at the beginning and end of the current period for “Current portion of lease obligations” and “Lease obligations (excluding

current portion)” include the balance to which this accounting standard is applied.

5. The repayment schedule for long-term borrowings (excluding current portion) and lease obligations (excluding current portion) for five years subsequent to March 31, 2020 is as follows:

Category	(Millions of yen)			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term borrowings	13,462	3,786	17,461	9
Lease obligations	484	283	204	142

[Annexed consolidated detailed schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amount of liabilities and net assets as of the same dates, annexed consolidated detailed schedule of asset retirement obligations is not disclosed pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

Cumulative period	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Net sales (Millions of yen)	68,635	141,908	214,095	282,329
Profit before income taxes (Millions of yen)	8,613	18,588	25,137	23,818
Profit attributable to owners of parent (Millions of yen)	7,151	15,332	19,998	18,022
Basic earnings per share (Yen)	56.26	121.27	158.53	143.04

Three-month period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	56.26	65.18	37.18	(15.74)



Independent auditor's report

To the Board of Directors of TAIYO YUDEN Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheets as of March 31, 2020 and 2019, the Consolidated Statements of Income and Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

平井 清 

Kiyoshi Hirai

Designated Engagement Partner


Certified Public Accountant

岩宮 晋伍 

Shingo Iwamiya

Designated Engagement Partner

Certified Public Accountant

今井 仁子 

Yoshiko Imai

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

September 1, 2020

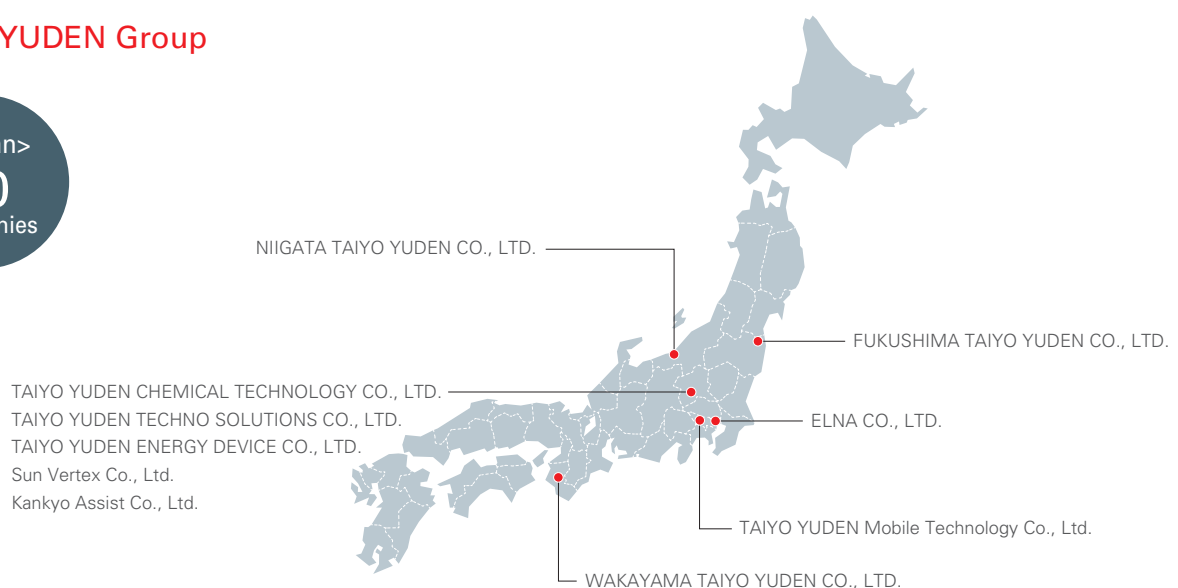
Corporate Data

As of September 20, 2020

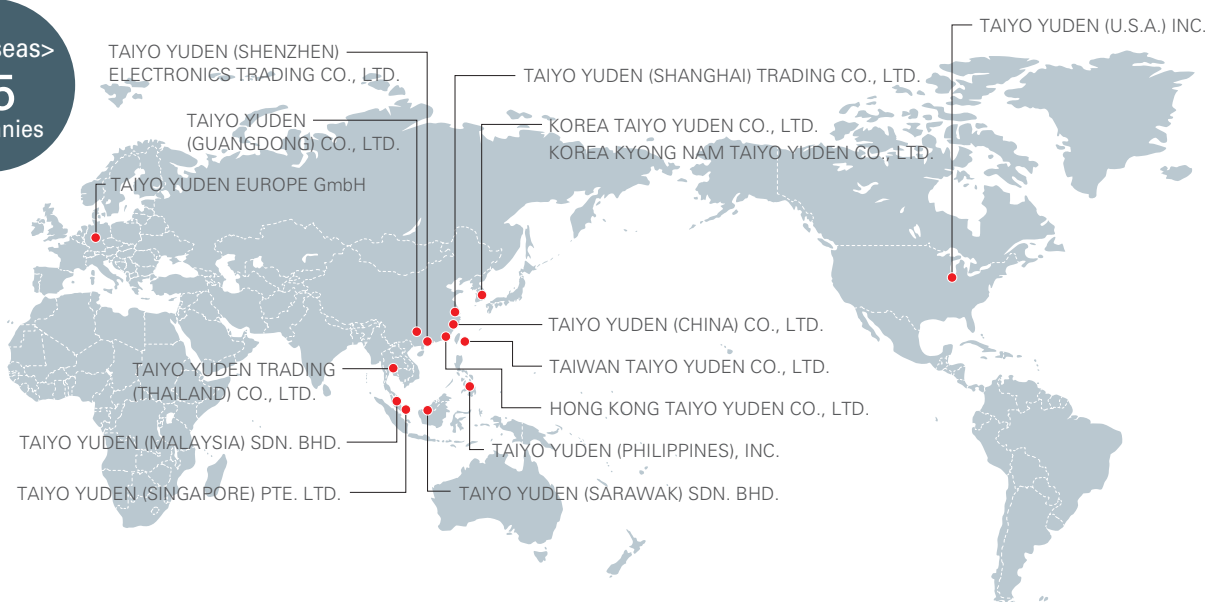
Company name	TAIYO YUDEN CO., LTD.	Paid-in capital	¥33,575 million (as of March 31, 2020)
Head office	2-7-19, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan	Number of employees	21,723 (Consolidated) 2,785 (Non-consolidated) (as of March 31, 2020)
Tel	+81-3-6757-8310	Main products	Ceramic capacitors, inductors, FBAR/SAW devices for mobile communications, functional modules, power storage devices, etc.
President and Chief Executive Officer	Shoichi Tosaka	URL	http://www.ty-top.com/
Date of establishment	March 23, 1950		

TAIYO YUDEN Group

<Japan>
10
companies



<Overseas>
15
companies



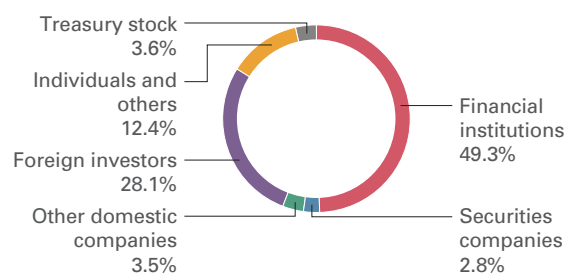
Stock Information

As of March 31, 2020

Stock Information

Common stock	Authorized: 300,000,000
	Issued: 130,218,481 (Including 4,715,775 shares of treasury stock)
Stock exchange listing	First section of Tokyo Stock Exchange
Securities code	6976
Unit of trading	100 shares
Number of shareholders	26,335

Composition of Shareholders



*Figures have been rounded to one decimal place.

Major Shareholders

Name	Number of shares (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,240,900	21.7
Japan Trustee Services Bank, Ltd. (Trust Account)	13,510,000	10.7
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	4,783,000	3.8
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,002,000	2.3
The Iyo Bank, Ltd.	3,000,100	2.3
GOLDMAN, SACHS & CO. REG	2,544,878	2.0
Sumitomo Mitsui Banking Corporation	2,000,000	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,989,900	1.5
Sato Traffic Orphan Welfare Fund	1,916,640	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,811,000	1.4

Notes 1. The Company holds 4,715,775 shares of treasury stock; however, this is excluded from the above-mentioned major shareholders.

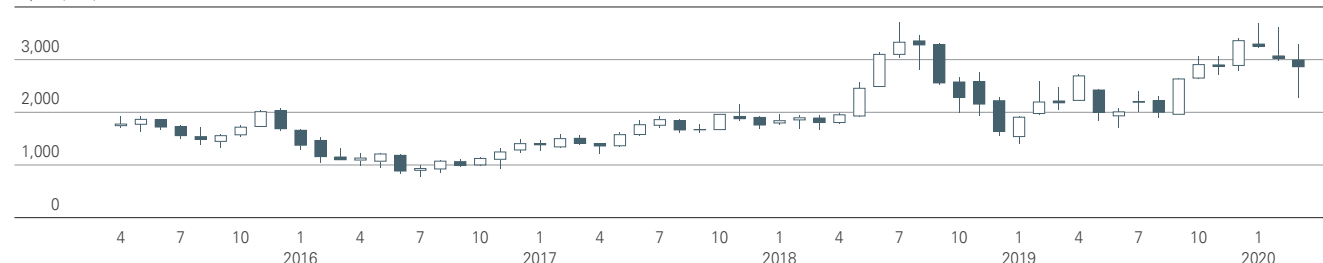
2. Shareholding ratio is calculated excluding the number of treasury shares.

3. Figures are rounded down to one decimal place.

Stock Price/Trading Volume

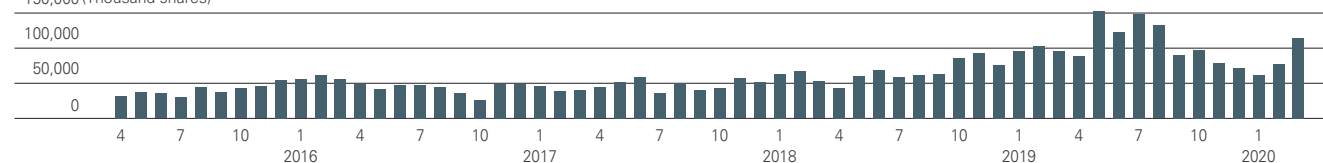
Stock price

4,000 (Yen)



Trading volume

150,000 (Thousand shares)



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<http://www.ty-top.com/>