

For Immediate Release

## TAIYO YUDEN Announces Agreement on Capital and Business Alliance with ELNA CO., LTD. and the Transfer of a Subsidiary through the Underwriting of a Capital Increase by Way of Third-Party Allotment

TAIYO YUDEN CO., LTD. (“the Company”) announced that the meeting of its Board of Directors held on February 26, 2018 resolved to conclude an agreement to enter into a capital and business alliance with ELNA CO., LTD. (“ELNA”) (“the Capital and Business Alliance Agreement”) and to make ELNA into a subsidiary of the Company through the underwriting of a capital increase by way of third-party allotment that ELNA will implement (“the Third-Party Allotment”).

The implementation of the Third-Party Allotment is conditional upon being approved by the 82nd Ordinary General Meeting of Shareholders of ELNA scheduled to be held on March 29, 2018 (“the Ordinary General Meeting of Shareholders”) and the fulfillment of other preconditions set out in the Capital and Business Alliance Agreement. Please see “I. 2. Details of the Capital and Business Alliance etc.” below for details of the Capital and Business Alliance Agreement.

### I. The Capital and Business Alliance Agreement

#### 1. Reason for the Capital and Business Alliance

The Company is engaged in businesses primarily centered on multilayer ceramic capacitors, inductors, FBAR/SAW devices for mobile communications and functional modules. Most of these products are primarily used in various IT and electronic devices, such as smartphones and PCs. In particular, in recent years we have focused our business expansion efforts on the further adoption of our products in the automotive, industrial, healthcare equipment, and environmental energy markets, all of which are expected to see further market expansion and growth going forward. ELNA’s business operations have focused on capacitors for some 80 years since its founding. In particular, ELNA has concentrated on developing products that can demonstrate their high quality and high performance even in environments that require vibration resistance, humidity resistance, voltage resistance, and high and low temperature resistance. ELNA has been promoting product development that can fulfill the needs of its many customers in the automotive and industrial equipment markets.

Given this, in accelerating the global expansion of its business in the automotive, industrial equipment, and environmental energy markets, the Company concluded a capital and business alliance agreement in November 2014 with ELNA, with which it has complementary strengths in products and sales channels. Under this agreement, the Company acquired 15,000,000 Class A preferred shares in ELNA from Japan Industrial Partners II Investment Limited Partnership and Japan Industrial Partners II Parallel Investment Limited Partnership through a share transfer (as of December 16, 2015, the Company exercised its right to request conversion to ordinary shares, thus all of the said Class A preferred shares were converted into 15,000,000 ordinary shares, and the Company has continued to hold the said ordinary shares). In addition, to enhance market competitiveness, and to expand their business, the two companies have worked to cooperate in terms of producing, jointly procuring materials, sharing technological and production expertise, and expanding sales through mutual cooperation, for electric double layered capacitors (“EDLCs”) and lithium ion capacitors for automotive, industrial equipment, and environmental energy markets where growth is expected going forward.

The Company has now concluded the Capital and Business Alliance Agreement with ELNA and decided to underwrite the Third-Party Allotment in order to strengthen the collaboration between the two companies even more going forward and to further expand profitability and enhance the associated corporate value by promoting operations based on a medium-to-long term and company-wide common strategy.

## 2. Details of the Capital and Business Alliance etc.

### (1) Objectives

The objectives of the Capital and Business Alliance are to expand business globally and to maximize the corporate value of the Company and ELNA through the effective utilization of the management resources possessed by each of them to complement the other.

### (2) Details of the Business Alliance

In order to achieve the aforementioned objectives in (1), the Company and ELNA will implement the business alliance in accordance with the basic policies stated below. The specific details of the business alliance will be determined separately based on the agreement of the two companies.

#### (i) Cooperate in terms of co-developing, producing and jointly procuring materials for EDLCs and lithium ion capacitors

(a) As complementary products for lithium ion batteries, major growth is expected for EDLCs and lithium ion capacitors in conjunction with advances in the electrification of the driving energy in automobiles. In the area of EDLCs and lithium ion capacitors, while the Company possesses technology related to EDLCs and lithium ion capacitors, ELNA possesses technology related to winding-type EDLCs and lithium ion capacitors. The two companies will each utilize the other's technologies outlined above to accelerate the development of EDLCs and lithium ion capacitors for automotive and industrial equipment.

(b) Through mutual collaboration, the two companies will promote mass production incorporating higher performance and improved productivity for the small EDLCs and small lithium ion capacitors, which they have both been developing.

(c) ELNA will provide contract production of the EDLCs and lithium ion capacitors for which the Company possesses the technology.

#### (ii) Share technological and production expertise in the capacitor business

(a) ELNA will utilize the Company's large number of system engineers and their expertise to upgrade production facilities in addition to developing products with superior performance leveraging the Company's materials technology in the future.

(b) The Company will utilize ELNA's automotive product quality control expertise and production management expertise to improve its own high performance products into automotive products.

#### (iii) Expand sales through mutual cooperation

(a) The Company will utilize ELNA's overseas automotive sales network in the capacitor business to expand sales of its own products.

(b) ELNA will utilize the Company's global sales network to expand sales of its own products.

(c) ELNA will develop and build a mass production system for conductive polymer hybrid aluminum electrolytic capacitors where growth for automotive applications is expected going forward, and utilize the sales networks of the two companies to expand sales of the products.

### (3) Details of the Capital Alliance (the Third-Party Allotment)

The Company plans to underwrite all the shares to be issued in the Third-Party Allotment under the following conditions.

- |   |                               |
|---|-------------------------------|
| (i) Payment period:                       | April 3, 2018 - April 9, 2018 |
| (ii) Number of shares to be underwritten: | 76,924,000 ordinary shares    |
| (iii) Paid-in amount:                     | ¥65 per share                 |
| (iv) Total paid-in amount:                | ¥5,000,060,000                |

However, the underwriting of the Third-Party Allotment by the Company is subject to the conditions that on the payment date (as stated above, the payment period for the Third-Party Allotment is April 3 - 9, 2018, and payment date here refers to the date when the payment is actually made); (i) ELNA's reps and warranties are true and accurate; (ii) ELNA has fulfilled any obligations that need to be fulfilled before the payment date; (iii) ELNA has completed any procedures required by laws and regulations and internal rules on the implementation of the Third-Party Allotment before the payment date; (iv) a resolution for advantageous placement relating to the Third-Party Allotment has been obtained at the Ordinary General Meeting of Shareholders; (v) a Securities Registration Statement relating to the Third-Party Allotment has been submitted and has taken effect; (vi) an agreement concerning the underwriting of the ordinary shares of ELNA PRINTED CIRCUITS CO., LTD. ("EPC"), a subsidiary of ELNA, by GLOBAL BRANDS MANUFACTURE LIMITED ("GBM") has been concluded, and the underwriting has been implemented in accordance with the said agreement, and the internal restructuring of the ELNA Group through an absorption-type split in the printed circuit business has all been completed; (vii) a notice has been granted to the Company to the effect that the waiting period following the notification of the Fair Trade Commission about Third-Party Allotment has elapsed and that there will not be a Cease and Desist Order from the Fair Trade Commission; (viii) there are no discrepancies between the status or the prospects of investigation, inquiry, disposition, and litigation etc. by overseas competition or judicial authorities relating to the ELNA capacitor cartel on the date of conclusion of the Capital and Business Alliance agreement and their status or prospects on the payment date; (ix) there has been no judgement by the relevant authorities restricting or prohibiting implementation of the Capital and Business Alliance between the Company and ELNA, and there is no likelihood thereof; (x) no cause or event has arisen or become known that could have a materially adverse effect on the Company's judgment of the underwriting pertaining to the Third-Party Allotment; and (xi) no natural disaster or other event has occurred that is likely to make it impossible or difficult to achieve the objectives of the Capital and Business Alliance.

### (4) Assignment of Officers

The Company and ELNA have confirmed that during the term of validity of the Capital and Business Alliance, ELNA's Board of Directors shall consist of five members, the Company shall have the right to nominate two members, and two members other than the two for whom the Company has the right of nomination shall be outside directors. Moreover, after the conclusion of the Capital and Business Alliance Agreement, ELNA shall have the obligation to promptly convene an Extraordinary General Meeting of Shareholders (by May 31, 2018 at the latest) and to submit proposals for the election of the candidates for directors nominated by the Company as directors to the said Extraordinary General Meeting of Shareholders. After the holding of the said Extraordinary General Meeting of Shareholders and during the term of the Capital and Business Alliance, ELNA shall have an obligation to submit proposals for the election of directors in order to elect the candidates for directors chosen by the exercise

of the nomination rights of the Company to the Ordinary and Extraordinary General Meetings of Shareholders.

### 3. Overview of Capital and Business Alliance Partner

(1) Name	ELNA CO., LTD.		
(2) Location	3-8-11 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa, Japan		
(3) Name and position of Representative	Shinya Yamasaki, President		
(4) Main operations	Manufacturing and sales of electronic parts (capacitors)		
(5) Capital	4,011 million yen		
(6) Date of establishment	May 25, 1937		
(7) Major shareholders and shareholding ratio (as of June 30, 2017)	Name	Number of shares (thousands)	Shareholding ratio of outstanding shares (%)
	TAIYO YUDEN CO., LTD.	15,000	22.30
	Nantong Jianghai Capacitor Co., Ltd.	10,638	15.81
	Asahi Glass Co., Ltd.	6,653	9.89
	Hakuto Co., Ltd.	1,738	2.58
	Mizuho Bank, Ltd.	1,256	1.87
	SBI SECURITIES Co., Ltd.	945	1.40
	Daisuke Gomi	700	1.04
	Araki Industry Co., Ltd.	591	0.88
	Matsui Securities Co., Ltd.	510	0.76
	Masafumi Konishi	500	0.74
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	500	0.74
	(8) Relations of Counterpart Company with the Company (listed Company)	Capital relationship	The Company owns 15,000,000 ordinary shares of the Counterpart Company (22.32% of voting rights).
Personal relationship		One of the Company's operating officers serves concurrently as outside director of the Counterpart Company.	
Business relationship		The Company sells the products of the Counterpart Company.	
Whether it is deemed as Related Party		The Counterpart Company is an equity-method affiliate of the Company.	
(9) Consolidated operating results and consolidated financial status for most recent three-year period			
Accounting period	Period ended December 2014	Period ended December 2015	Period ended December 2016
Net assets	3,061	1,703	791
Total assets	25,981	24,873	25,382
Net assets per share	38.40	29.67	13.58

Net sales	31,529	30,842	28,542
Operating income	454	344	790
Ordinary income (loss)	(112)	(477)	(285)
Net income (loss) attributable to shareholders of parent company	(565)	(1,975)	(1,145)
Net income (loss) per share	(13.59)	(46.73)	(20.23)
Dividend per share	—	—	—

Notes:

1. “Voting rights (ratio)” was calculated using the number of voting rights of all shareholders as of June 30, 2017 stated in the third quarter report of the 82nd business term that ELNA submitted on November 13, 2017 (“ELNA’s 82nd business term third quarter report”) (67,202) as the denominator. Voting rights ratio is also rounded to two decimal places (the same applies when percentage of voting rights is presented below.)
2. The meeting of ELNA’s Board of Directors held on February 22, 2018 resolved, subject to approval at the Ordinary General Meeting of Shareholders, to create a business alliance and cooperative relationship between ELNA and GBM with respect to the printed circuit board manufacturing and sales business operated by EPC, the subsidiary of ELNA, and ELNA PCB (M) SDN. BHD., the subsidiary of EPC, (the “target business”), and to implement a capital increase by way of third-party allotment implemented by EPC with GBM as the underwriter upon (1) an absorption-type split in which EPC will succeed to the sales units of the target business that operate at ELNA and the assets and liabilities related to Real Estate of Shiga factory owned and managed by ELNA; and (2) an absorption-type split in which ELNA will succeed to the assets and liabilities of the Shirakawa Factory operated by EPC and the shares of ELNA MATSUMOTO CO., LTD., with the aim of creating a joint venture business and in order to consolidate the target business of the joint venture at EPC. Please see “ELNA Announces Internal Group Restructuring Aimed at Creating a Joint Venture in the Printed Circuit Board Business (Absorption-type Split with a Subsidiary) and Capital Increase by Way of Third-Party Allotment of a Subsidiary Accompanied by the Transfer of Consolidated Subsidiary” released by ELNA on February 22, 2018.

#### 4. Number of Shares to be Acquired, Acquisition Price, and Number of Shares Owned Before and After

##### Acquisition

(1) Number of shares owned before transfer	15,000,000 shares (Number of voting rights: 15,000, Percentage of voting rights: 22.32%)
(2) Number of shares to be acquired	76,924,000 shares (Number of voting rights: 76,924)
(3) Acquisition price	5,000,060,000 yen
(4) Number of shares owned after transfer	91,924,000 shares (Number of voting rights: 91,924, Percentage of voting rights: 63.78%)

Notes:

1. “Percentage of voting rights” stated in “Number of shares owned before transfer” uses the number of voting rights of all shareholders as of June 30, 2017 (67,202) stated in ELNA’s 82nd business term third quarter report as the denominator.
2. “Percentage of voting rights” in “Number of shares owned after transfer” uses the number of voting rights of all

shareholders after the implementation of the Third-Party Allotment (144,126, the said number of voting rights is computed by adding the increase in the number of voting rights due to the Third-Party Allotment (76,924) to the number of voting rights of all shareholders as of June 30, 2017 (67,202), the same applies hereinafter) as the denominator.

## 5. Schedule

(1) Date of the Board of Directors' resolution	February 26, 2018
(2) Date of conclusion for the Capital and Business Alliance Agreement	February 26, 2018
(3) Payment period for the Third-Party Allotment	April 3, 2018 – April 9, 2018 (planned)

## 6. Outlook for the Future

The effect of the Capital and Business Alliance on the Company's consolidated performance during the fiscal year ending March 2018 is immaterial.

## II. Transfer of Subsidiary

### 1. Reason and Method for the Transfer

As a result of the effectuation of the Third-Party Allotment, the Company will acquire 76,924,000 ordinary shares in ELNA (53.34% of outstanding shares after the implementation of the Third-Party Allotment (144,203,458 shares) and 53.37% of voting rights after the implementation of the Third-Party Allotment. Percentage of outstanding shares rounded to two decimal places. Percentage of voting rights uses the number of voting rights of all shareholders after the implementation of the Third-Party Allotment (144,126) as the denominator.), and ELNA is scheduled to become a subsidiary of the Company on the said effectuation date.

Please see "I. 1. Reason for the Capital and Business Alliance" and "I. 2. Details of the Capital and Business Alliance etc." above for the details.

### 2. Overview of the Subsidiary to be Transferred

Company which will become a new subsidiary ELNA CO., LTD.

Please see "I. 3. Overview of Capital and Business Alliance Partner" above for an overview of ELNA.

### 3. Number of Shares to be Acquired, Acquisition Price, and Number of Shares Owned Before and After Acquisition

Please see "I. 4. Number of Shares to be Acquired, Acquisition Price, and Number of Shares Owned Before and After Acquisition" above for the number of shares to be acquired, the acquisition price, and the number of shares owned before and after the acquisition.

### 4. Schedule

Please see "I. 5. Schedule" above for the schedule.

## 5. Outlook for the Future

Please see “I. 6. Outlook for the Future” above for the outlook for the future.

End of document

(For reference) The Company's consolidated results forecasts for the fiscal year ending March 31, 2018  
(announced February 7, 2018) and consolidated results for the previous fiscal year

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent company
Consolidated results forecast for current fiscal year (ending March 31, 2018)	243,000	19,000	19,000	14,000
Consolidated results for previous fiscal year (ended March 31, 2017)	230,716	12,385	11,200	5,428