Management Policies

Shoichi Tosaka
President and Chief Executive Officer

May 13, 2019
TAIYO YUDEN Vision

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

- Smart products
  - Smart design
    - High quality
    - Low power consumption
    - Downsizing
    - Abolishing use of toxic substances
  - Smart production processes
    - Safety first
    - Following rules
    - More efficient use of energy
    - 100% yields
    - Reuse and recycle
    - Minimizing emissions
  - Systems
    - OHSMS
    - ISO9001
    - IATF16949
    - ISO14001
Business Model Change for Establishing a Profitable Operating Structure

Three products and one solution

Strengthen core technologies
- Capacitors
- Inductors
- Communications devices

Create new business
- New business
- Functional modules

Material
Component

Provide solutions and after-sales services

The distance from the end customer

Distant
Mounting
Assembly
Close

Distant
Small

Profit
Large
The Environment in Which TAIYO YUDEN Operates
～Background of Growing Demand for Electronic Components～

Explosive increase in data communication volume

Growing demand for electronic components that underpin technological advances, such as IoT, 5G and increased use of automotive electrical equipment
The Next Move for Growing Demand in Electronic Components

1. Sales Expansion in Automotive and IT Infrastructure Markets
   Composition of total sales: 50%

2. Investment for Future Growth
   Accelerate capital investment and R&D focusing mainly on capacitors

3. Evolution in the Manufacturing Process
   smart. E project
1. MLCC Demand in Automotive and IT Infra Markets and Our Strengths

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**MLCC Demand Forecast for Automotive**

*(Volume Based)*

- **2019/3**
- **2023/3**

**Forecast**

*Estimated by the company*

**Rate of Market Expansion (CAGR) 19%**

- Increased use of automotive electrical equipment accelerated by CASE

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**MLCC Demand Forecast for Base Station Communication Devices**

*(Volume Based)*

- **2019/3**
- **2023/3**

**Forecast**

*Estimated by the company*

**Rate of Market Expansion (CAGR) 21%**

- Addition of more base station communication devices
- Increased number of MLCCs installed per unit

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**Demonstrating Our Strengths toward Sales Expansion That Outstrips Market Growth**

- High Reliability
- Downsizing
- Top Runner for Large Capacitance
- Decentralization of Production Bases
Capacitor Business Direction and Positioning of ELNA CO., LTD.

MLCC

Voltage (V)

1000

100

10

1000

100

10

1

10

100

1000

(μF)

10

100

1000

(F)

ELNA

MLCC

Replacement from film capacitors

Large power capacitors

*Mass production preparations under way

Conductive polymer hybrid aluminum electrolytic capacitors

Automotive (CASE)

IT infrastructure

Smartphone

Wearable device

Automotive Industrial equipment

EDLCs / lithium-ion capacitors (LITHOSION™)

All solid-state batteries

*Under development

EDLCs / lithium-ion capacitors (LITHOSION™)

January 2019, conversion to wholly owned subsidiary completed

Manufacture and sale of aluminum electrolytic capacitors for automobiles

*Under development

Conductive polymer hybrid aluminum electrolytic capacitors

Mild hybrid vehicles (conversion to 48V)

EDLCs / lithium-ion capacitors (LITHOSION™)

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Sales Expansion in Automotive and IT Infrastructure Markets

Sales composition by market sector

- **Consumer products**
  - Flat screen TV
  - Digital camera
  - Game console
  - 19%
  - 12%

- **Information equipment**
  - Tablet device
  - PC
  - 16%
  - 14%
  - 35%

- **Communication equipment**
  - Smartphone
  - Mobile phone
  - 42%

- **Automotive**
  - ADAS
  - Meter cluster
  - ECU
  - 4%
  - 24%

- **IT infrastructure/Industrial equipment**
  - Base station communication device
  - Server
  - Security camera
  - 19%

Focus on growing markets (Automotive and IT infrastructure)

**Sales Composition in Focus Market**

- Target **50%**
  - Automotive 25%
  - IT infrastructure/Industrial equipment 25%

Shift to a business structure that is less susceptible to fluctuations in demand, improve stability of business performance
2. Investment for Future Growth

**Capital Investment**

- Construction of new buildings at NIIGATA TAIYO YUDEN (MLCC Production Base)
  - March 2019
    Building No. 3 commenced operations
  - April 2020
    Building No. 4 scheduled for completion
- Implementing capital investment totaling 150 billion yen over three years (Year ended March 31, 2019 to year ending March 31, 2021)

**R&D**

- R&D for new product development and new business cultivation
3. smart. E Project: Evolution in the Manufacturing Process

~Shift from G to E~

Utilize IoT and big data to eliminate wastefulness, inconsistency and overburden; promote major advancements in manufacturing

- Early detection/prevention of abnormalities by utilizing AI → Minimized inconsistencies → Improvements in yields → Higher worker productivity → Improvement in product quality

**FY2018 Results**
- Early detection/prevention of abnormalities by utilizing AI
  - Minimized inconsistencies
  - Improvements in yields
  - Higher worker productivity
  - Improvement in product quality
Medium-term Management Plan

- **Net sales**: ¥ 300 billion
- **Operating margin**: 15%
- **ROE**: above 10%

Targets for achievement by FY ending March 2021

<table>
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<th>Year</th>
<th>Net sales (¥ in billion)</th>
<th>Operating margin (%)</th>
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<tbody>
<tr>
<td>2015/3</td>
<td>200</td>
<td></td>
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<tr>
<td>2016/3</td>
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<td>2017/3</td>
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<td>2019/3</td>
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<td>2020/3 Forecast</td>
<td>325</td>
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<tr>
<td>Target</td>
<td>330</td>
<td>15%</td>
</tr>
</tbody>
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Return to Shareholders

Aim to achieve a stable total return ratio of 30%

Cash dividends per share (yen) | 10 | 15 | 20 | 20 | 21 | 22
---|---|---|---|---|---|---
Net income per share (yen) | 92.74 | 125.27 | 46.08 | 138.80 | 189.93 | 195.83
Forward-looking statements

This document contains information about the plans, business results, and strategies of TAIYO YUDEN CO., LTD. and the TAIYO YUDEN Group. These forward-looking statements other than historical facts represent judgments made by the Company based on information available at present and are inherently subject to a variety of uncertainties. TAIYO YUDEN cannot provide any guarantee as to the attainment of certain figures in the future. The Company’s actual activities and business results could differ significantly due to changes including, but not limited to, changes in the electronics market in which the Company’s business activities are centered. Readers should not overly rely on the information contained in this document.
TAIYO YUDEN