

Management Policies

Shoichi Tosaka
President and Chief Executive Officer

May 10, 2022

What TAIYO YUDEN Aims For

Mission

Stronger and more socially aware through the wonders of science

Management Philosophy

Employee well-being

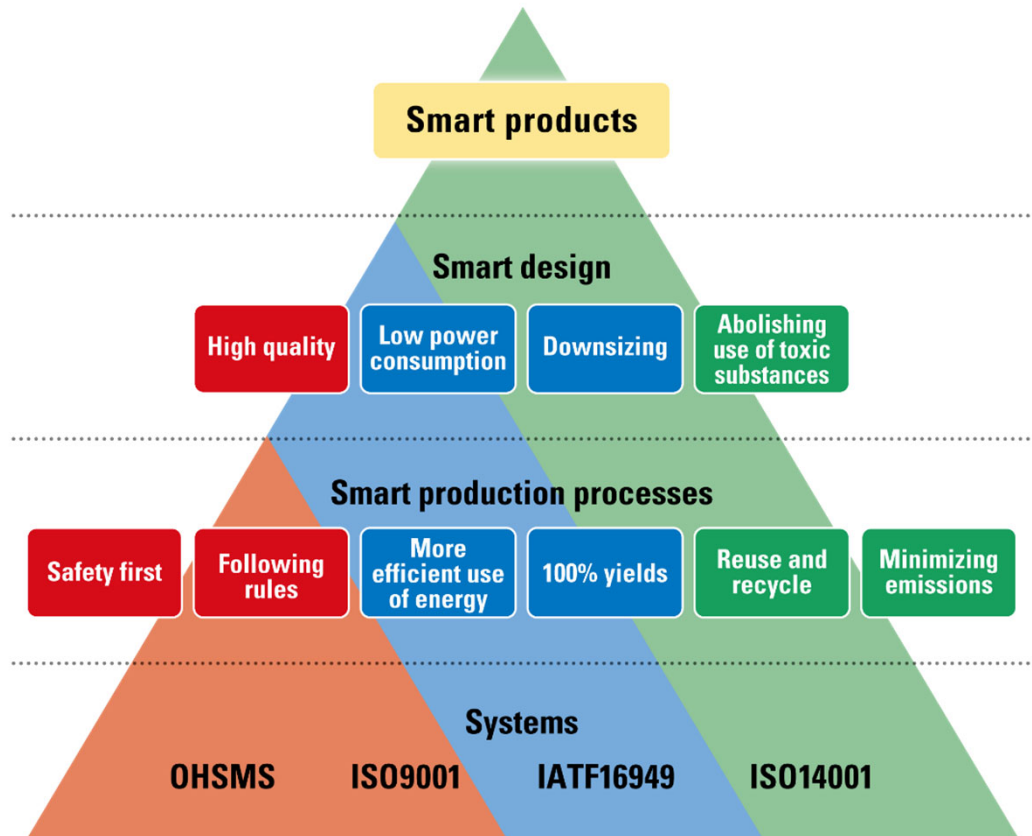
Betterment of local communities

Responsibility to provide returns to shareholders

Vision

TAIYO YUDEN VISION

To be an excellent company that enjoys the trust and highest regard from all stakeholders



Medium-term Management Plan 2025

(From FY2021 to FY2025)

Priority Measures in Medium-term Management Plan 2025

Aim to enhance corporate value through the combination of economic and social value

1

Product Strategy

Further grow the MLCC business and strengthen inductor and communication device products to turn them into core businesses

- Create high value-added electronic components centered on high-end and high-reliability products

2

Market Strategy

Increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50%

3

Financial Strategy

1. Continuously expand production capacity to meet increase in demand for electronic components
2. Aim to increase returns to shareholders and realize a stable dividend payout ratio of 30%

4

ESG Initiatives

Accelerate our efforts with numerical targets to improve our social value

- (E) Response to climate change, (S) Achieve health-oriented management and work style reforms at safety first workplace, (G) Improve management quality

KPIs in Medium-term Management Plan 2025

Corporate Value (Economic Value + Social Value)

Economic Value











Net sales	480 billion yen
Operating margin	15% or higher
ROE	15% or higher
ROIC	10% or higher

Social Value

E GHG emissions	Absolute amount FY2030 25% reduction 42% reduction [upward revision] ※compared with FY2020
E Waste Water usage	Basic unit (sales quantity) FY2025 10% reduction ※compared with FY2020
S Safe & secure workplace Optimization of group base functions	<ul style="list-style-type: none">• Creating safe, comfortable and environmentally friendly workplaces• Incidence rate of injuries and illness <0.016• Accident frequency rate <0.08
S Work style reforms Diversity	<ul style="list-style-type: none">• Work engagement 2.5 or higher• Rate of newly recruited female graduates 30% or higher• Female manager ratio [new addition] FY2030 10% or higher

※Exchange rate assumption : 1US\$=¥105

Materiality

Category	Materiality	SDGs Targets
Economic Value	<ul style="list-style-type: none"> Strengthen core technologies to make our core business grow Create solutions to solve social issues 	<div>7 AFFORDABLE AND CLEAN ENERGY</div>  <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> 
Social Value	<ul style="list-style-type: none"> Strengthen measures to address climate change Use resources effectively and contribute to creating a recycling society 	<div>6 CLEAN WATER AND SANITATION</div>  <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>  <div>13 CLIMATE ACTION</div> 
Social Value	<ul style="list-style-type: none"> Achieve health-oriented management and work style reforms at safety first workplace Train and develop human resources based on the diversity policy 	<div>3 GOOD HEALTH AND WELL-BEING</div>  <div>5 GENDER EQUALITY</div>  <div>8 DECENT WORK AND ECONOMIC GROWTH</div> 
Social Value	<ul style="list-style-type: none"> Improve management quality to support business growth Establish and evolve BCM in preparation for disasters or infectious diseases 	<div>11 SUSTAINABLE CITIES AND COMMUNITIES</div>  <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> 

Improving Economic Value

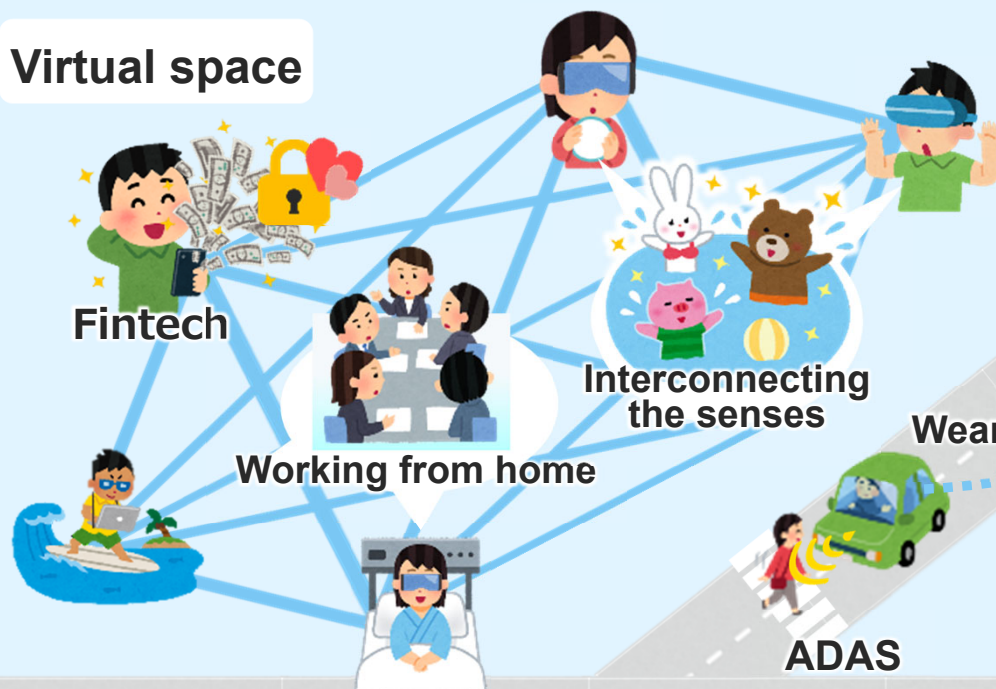
Environment surrounding TAIYO YUDEN

~Background of demand expansion for electronic components~

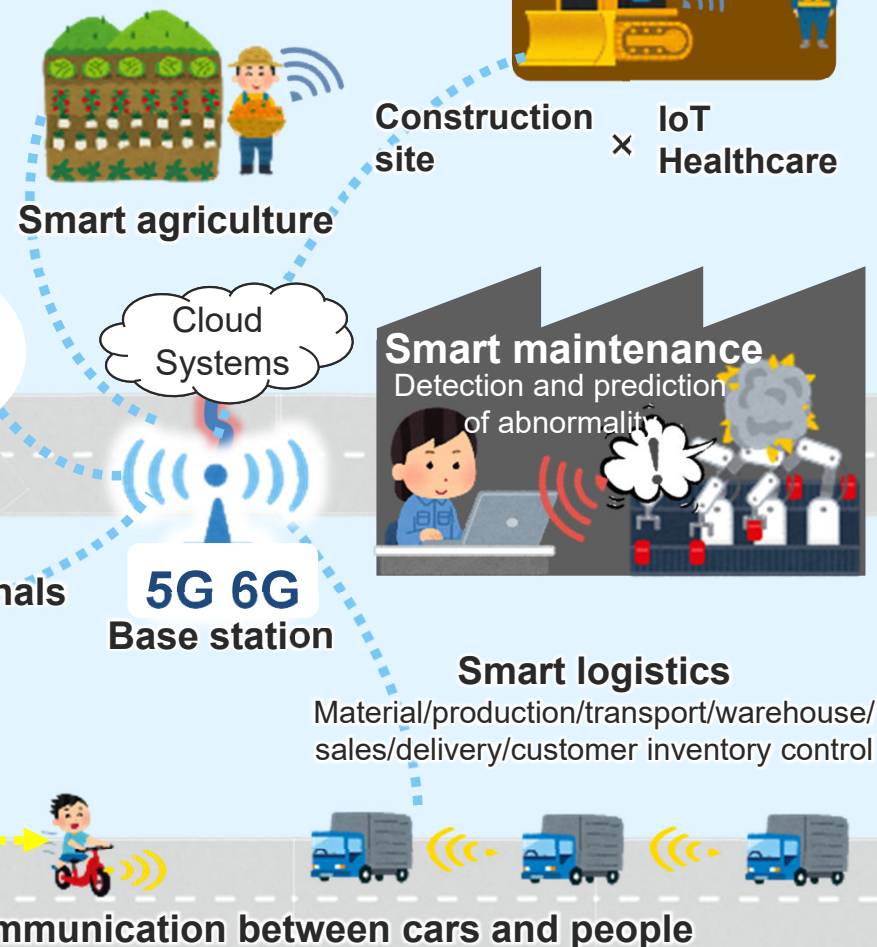
The arrival of a connected world

Web 3.0 and Metaverse trigger a change in society

Virtual space



Smart society



Development in technology



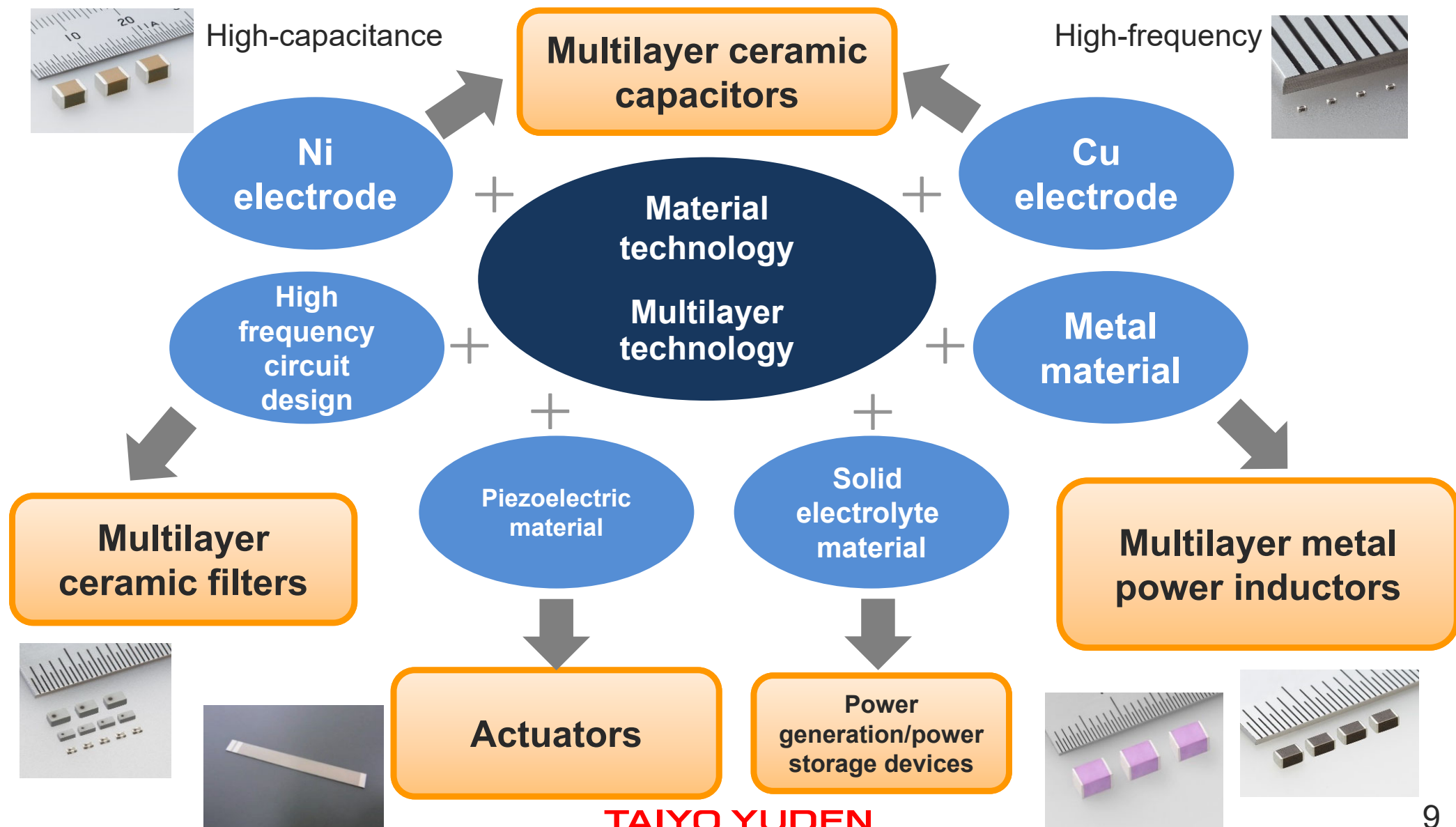
Optical computing

Autonomous driving

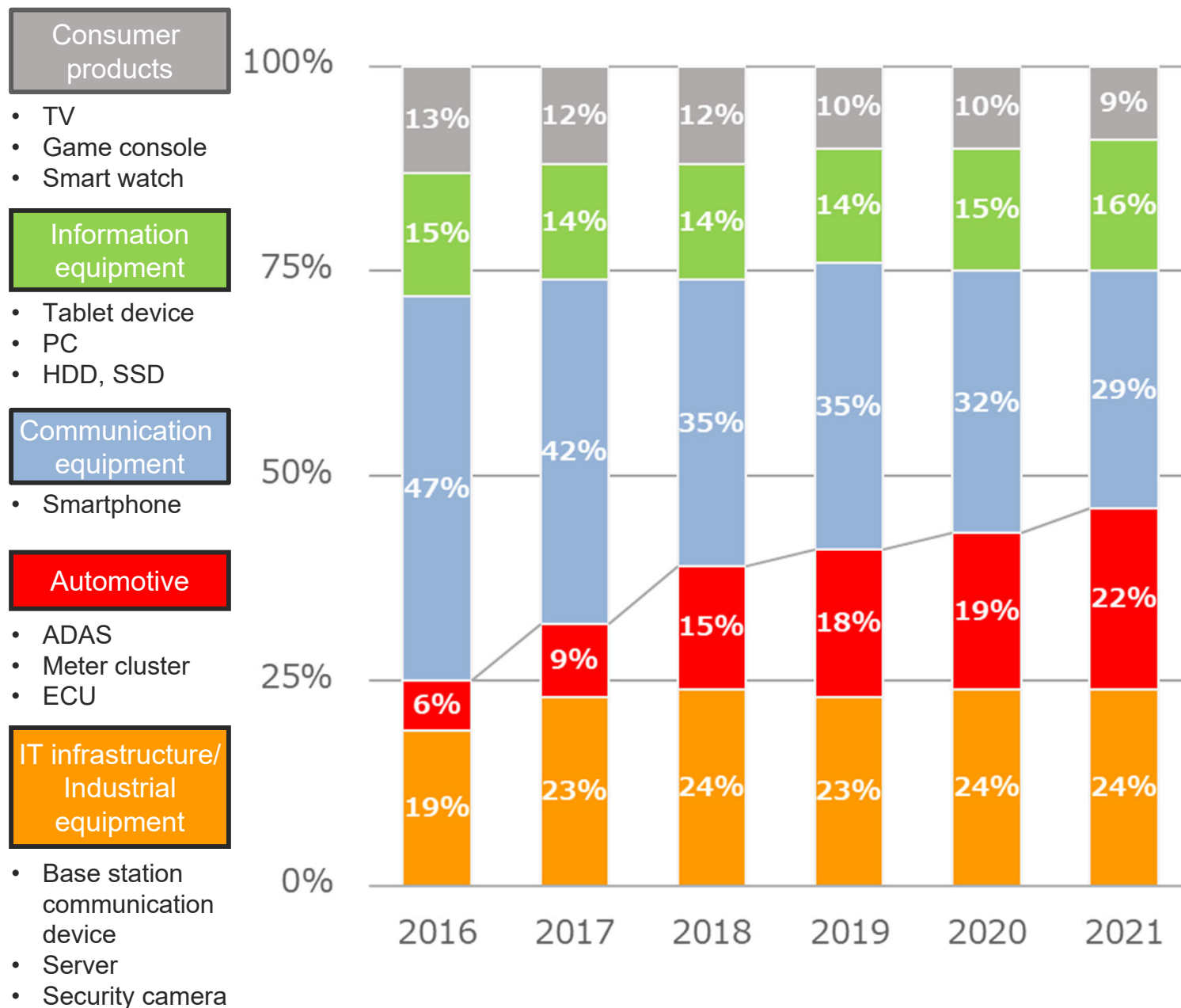
- Electronic components of semiconductors are indispensable for all electric devices.
- IoT communication and solutions business will grow dramatically.
- Sensing solutions are also needed for almost all applications.

Product development using material and multilayer technologies

Leverage outstanding technological expertise to supply high-end electronic components that underpin technological evolution in such areas as 5G and electrification of automobiles



Sales Composition by Market Sector



Targets

Focus Market

50%

Automotive 25%
IT infrastructure/
Industrial equipment 25%

► Sales ratio of growth market was expanded

Focus Market

46%

※Estimated by the Company

Product Strategy : Capacitors

Focus on high-value-added zones by drawing on industry-leading technological expertise

Multilayer ceramic capacitors (MLCC)

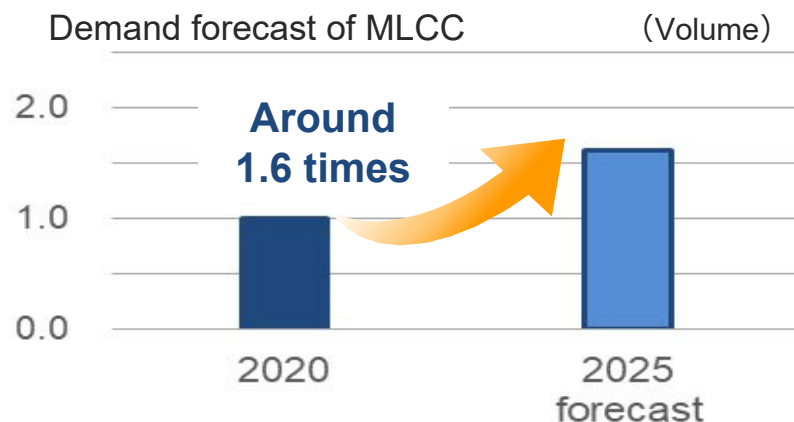
■ Our Strength

High reliability

Downsizing

Front runner of
high capacitance
products

Decentralization
of production
bases



■ Focus on high-end and high-reliability products

Increase sales for high-performance smartphones, automobiles, and IT infrastructure/industrial equipment requiring advanced technological capabilities

■ Increase production capacity to respond demand expansion

New buildings are under construction



TAIYO YUDEN Yawatabara Plant
(material building)
To be completed in Dec. 2022



TAIYO YUDEN (SARAWAK)
To be completed in Jun. 2023



TAIYO YUDEN (CHANGZHOU)
To be completed in Jun. 2023

Product Strategy : Inductors

Increase competitive advantage in power inductors

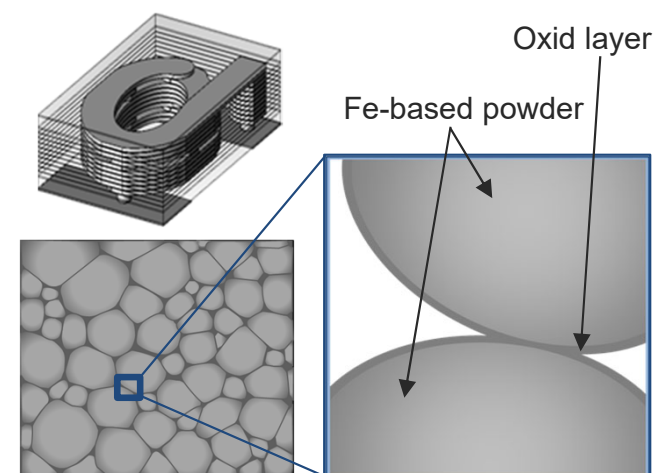
Inductors

Multilayer inductors, wire-wound inductors

■ An extensive lineup of power inductors built on advanced elemental technologies

Diversify our markets and customer base by expanding into the fields of smartphones, IoT, automotive, and IT infrastructure/industrial equipment.

Structure	Multilayer	Wire-wound
Material	<div>Metal (MCOIL™)</div> <div>Smartphone Smart watch PC • Tablets Smaller products by our original metal and multilayer technology Expand into ADAS</div>	<div>Smartphone PC • Tablets HDD • SSD Expand product line-up for automobiles</div>
<div>Ferrite</div> <div>↑ (Shift to metal)</div>	<div>Automotive IT infrastructure/ Industrial equipment Expand sales in high reliability market</div>	



Internal structure of
Multilayer metal power inductor
MCOIL™ LSCN series

No organic adhesive used, no thermal degradation. Can use for a longer period at high temperature. High thermal conductivity.

The names of series noted in the text are excerpted from part numbers that indicate the types and characteristics of the products, and therefore are neither product names nor trademarks.

Product Strategy : Communication Devices

Pursue high-value-added businesses by making use of original technologies

Communication Devices (Integrated Modules & Devices)

Devices for mobile communications
(FBAR/SAW, multilayer ceramic filters)

■ Expand sales for automobiles and IT infrastructure/ industrial equipment

- Ensure excellent high-reliability characteristics with element material technology and robust package structure
- Expand adoption in telematics, M2M, and IoT

Connected car

E-Call (automated emergency call system), driving data collection, various information services, etc.

Smart meter

Security equipment

POS system

■ New technology “TLSAW™” “HPDP”

Meet the need for high level technology which is indispensable to 5G evolution

- TLSAW™ (Element technology) ...Low loss, wide band, and steep
- HPDP (Packaging technology) ...Low profile and high reliability

■ Diversification of sales channel

Aim to expand into module applications in addition to discrete sales to set makers

Product Strategy : Circuit Modules and Aluminum Electrolytic Capacitors

Improve profitability through selection and concentration

Circuit modules (Integrated Modules & Devices)

■ Energy regeneration assist system

Increase sales for electric assist bicycles that contribute to the building of a smart mobility society



■ Transfer of wireless module business (January 2022)

Reallocate resources by downsizing or withdrawing other modules

Expand sales in high reliability market

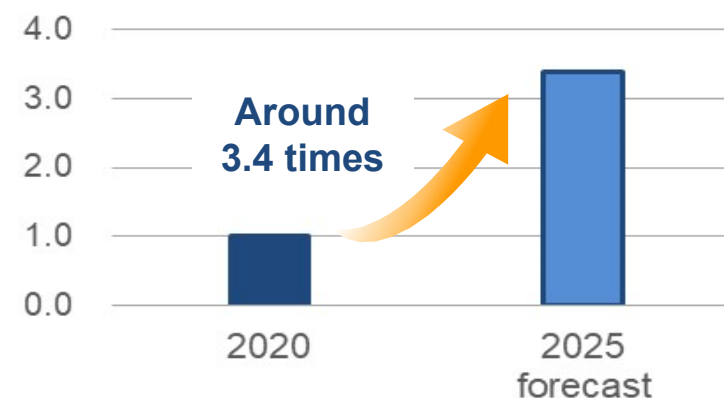
Aluminum electrolytic capacitors (Others)

■ Conductive polymer hybrid aluminum electrolytic capacitors

- Focus on automobile market with greater demand from increase in xEVs and advancement of ADAS
- Long-term and in high-temperature/high-capacity applications

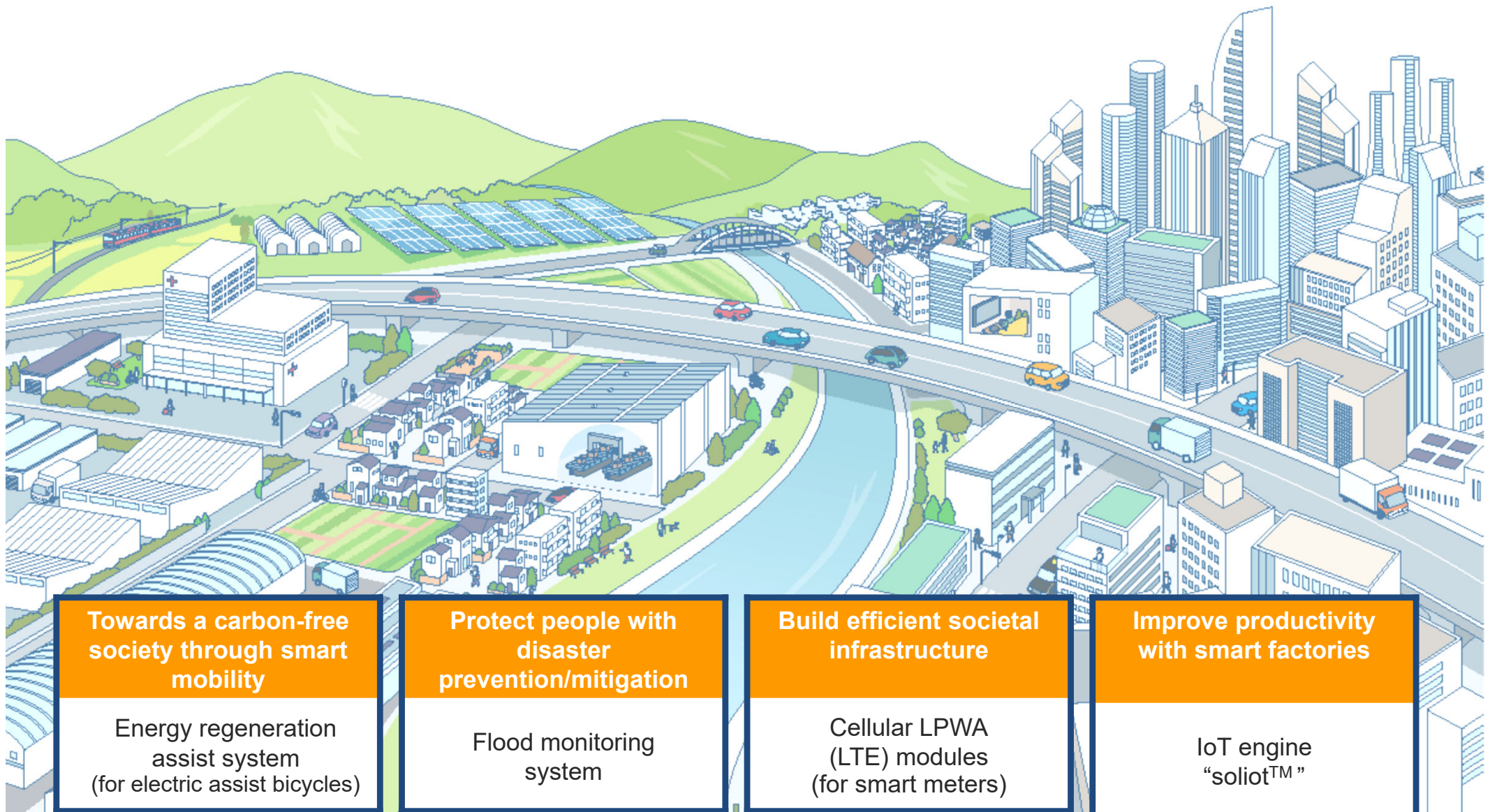


Demand forecast of conductive polymer hybrid aluminum electrolytic capacitors (Volume)



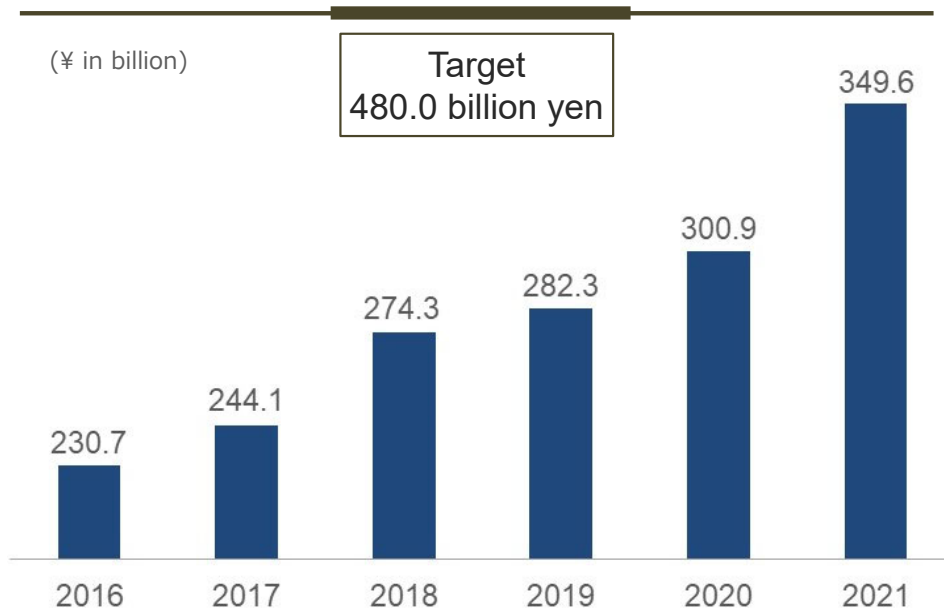
※Estimated by the Company

Develop solutions to social issues by combining our original technology and outside technical resources

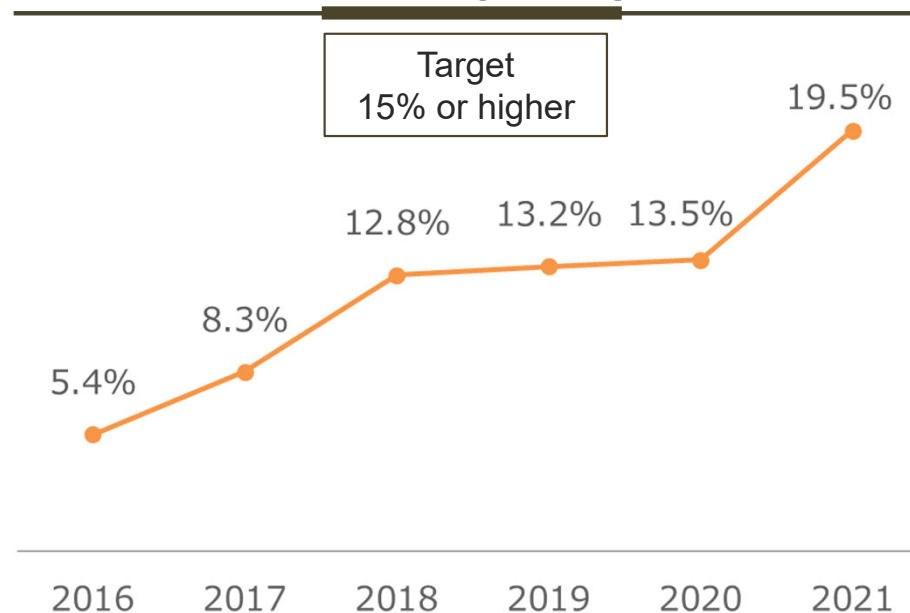


KPIs (Economic Value)

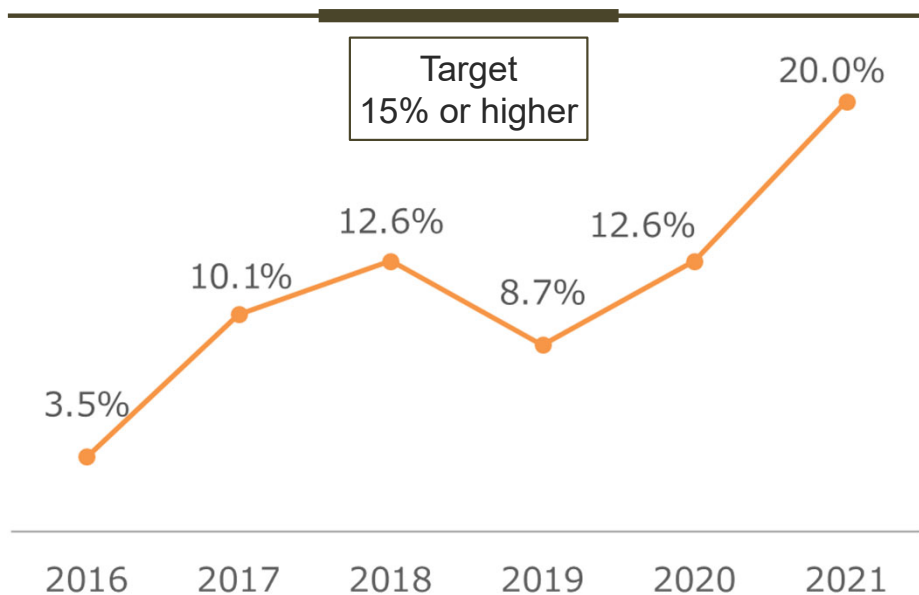
Net sales



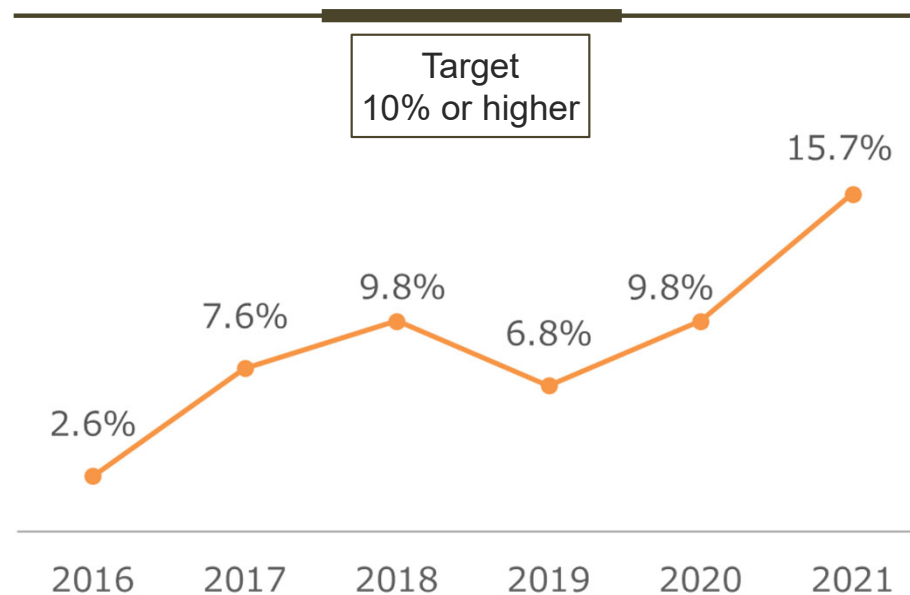
Operating margin



ROE



ROIC



Improving Social Value

GHG emissions

■ Upward revision of reduction target in FY2030

- Revise our GHG emissions reduction targets in FY2030 upwards from (25)% to (42)% in line with the COP26 (October 2021) 1.5 °C target (compared to FY2020)

■ Procure 100% of electricity from renewable sources in R&D Center

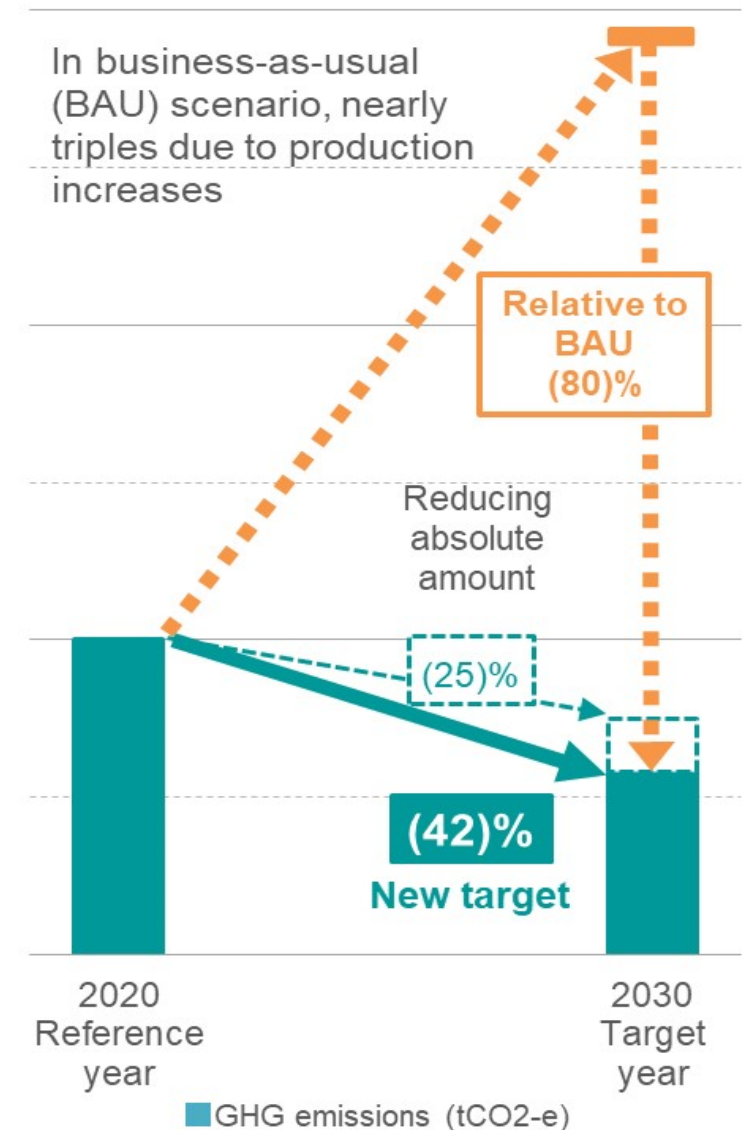
- Install PV system and storage battery on the premises
- Purchase electricity from renewable sources
- Aim to achieve by FY2024



R&D Center
(Takasaki City, Gunma Prefecture, Japan)

■ Work on TCFD recommendations

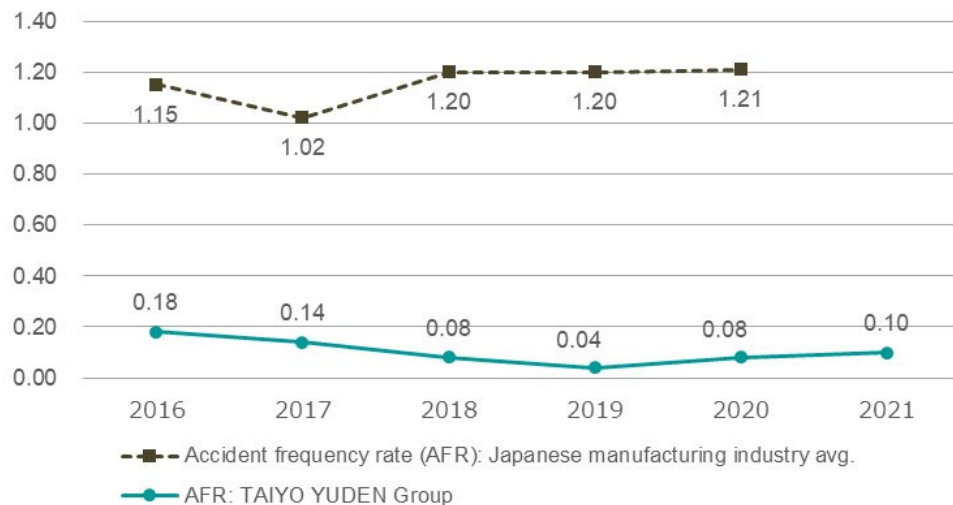
Promote energy reduction, energy creation, and the use of green energy in manufacturing, and increase information transparency in order to build a carbon-free society.



ESG Initiatives ~S : Social~

Safe & secure workplace

■ One of the safest work environment in manufacturing industry



$$\text{AFR} = \frac{\text{Number of the victims of occupational injury (at least one workday lost)}}{\text{Total actual number of hours worked by registered workers}} \times 1,000,000$$

■ Build a safer workplace through 5M

Man	Implementation of basic education and creation of a "safe workplace" culture
Machine	Raise the level of equipment safety design among designers
Method	Standardization of procedures for safe work
Material	Minimization of toxicity and danger of chemical substances
Measurement	Strengthening of checking system

Work style reforms/Diversity

■ Promote health-oriented management through "Focus 5"



■ Improve work-life balance by work system reform

Introduction of work-interval system, work-from-home system, etc.

■ Promote human resource diversity

Target setting for percentage of management positions occupied by women

FY2030 Target 10% or higher

► Improvement of work engagement

Aim to be a company where employees work with vitality in good health

KPIs (Social Value)

*As of April 1

GHG emissions

Target for FY2030
Reduce absolute amount by 42%

(Equivalent to (4.2)% for single year)

2020	2021
(Reference year)	(5.2)%

Waste, Water usage

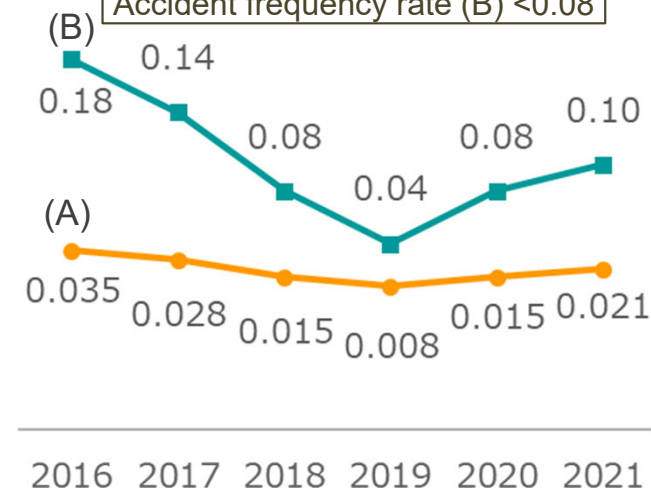
Target for FY2025
Reduce by 10% (basic unit)

(Equivalent to (2.0)% for single year)

2020	2021
Waste	(Reference year) +12.8%
Water usage	(Reference year) (2.8)%

Incidence rate of injuries and illness Accident frequency rate

Targets
Incident rate (A) <0.016
Accident frequency rate (B) <0.08



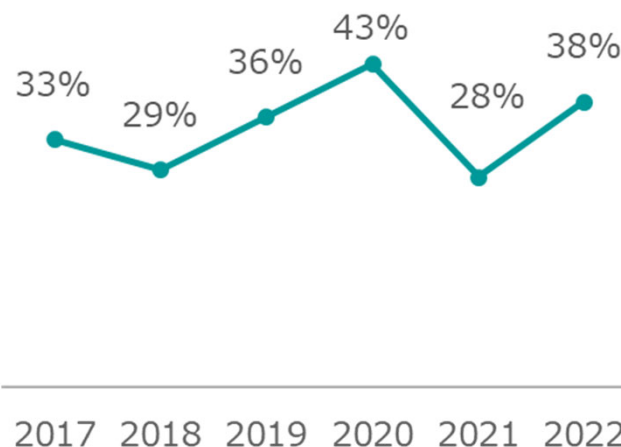
Work engagement

Target
2.5 or higher

2020	2021
2.27	2.25

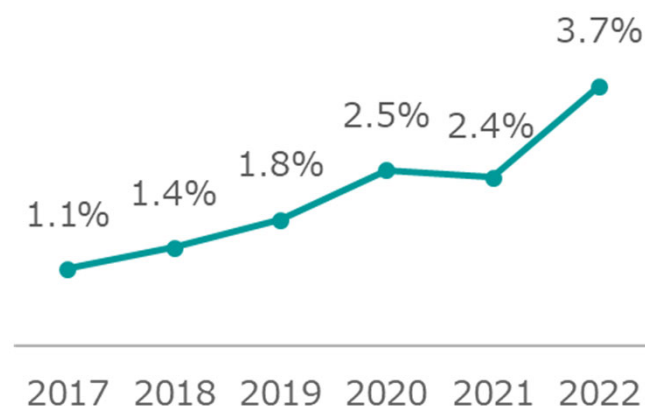
Rate of newly recruited female graduates*

Target
30% or higher



Female manager ratio*

Target for FY2030
10% or higher

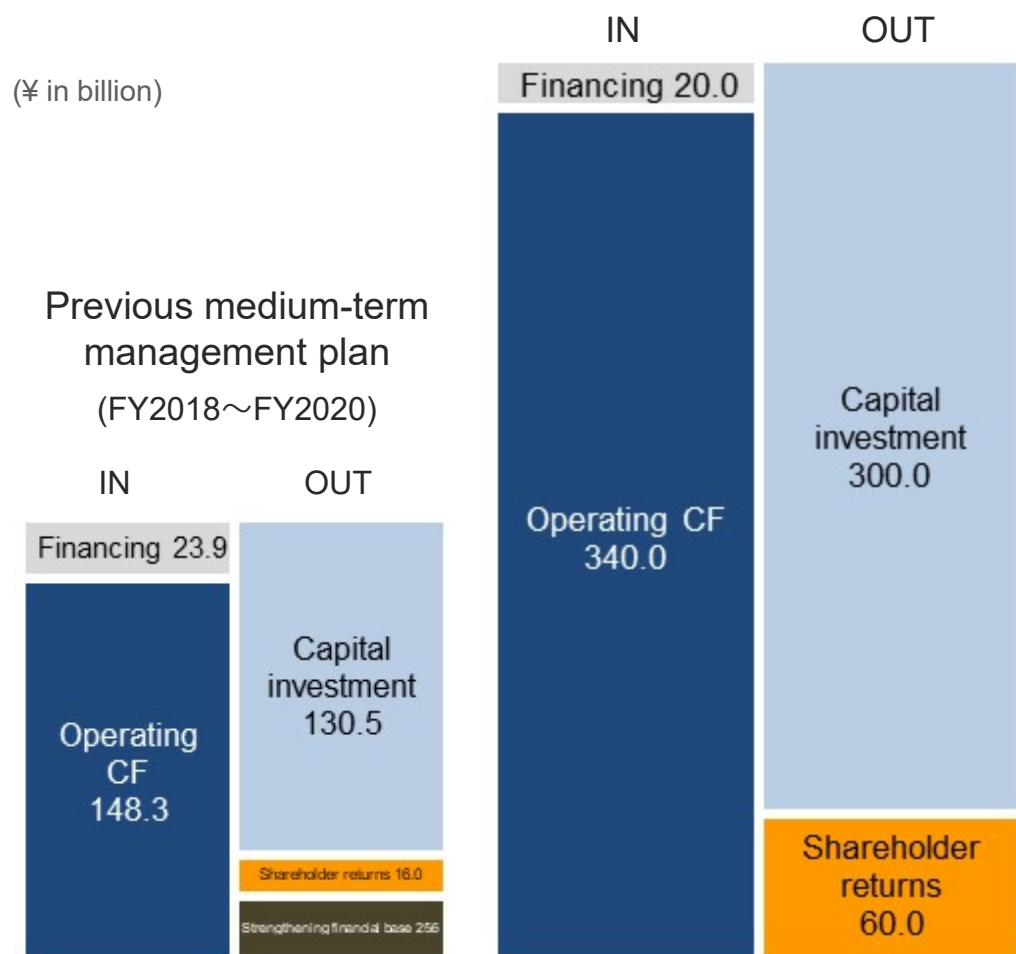


Capital Allocation Policy

Capital Allocation Policy

Plan to implement capital investments of ¥300 billion in total over five years to meet increase in demand of electronic components

Medium-term management plan 2025 (FY2021~FY2025)



Capital investment plan

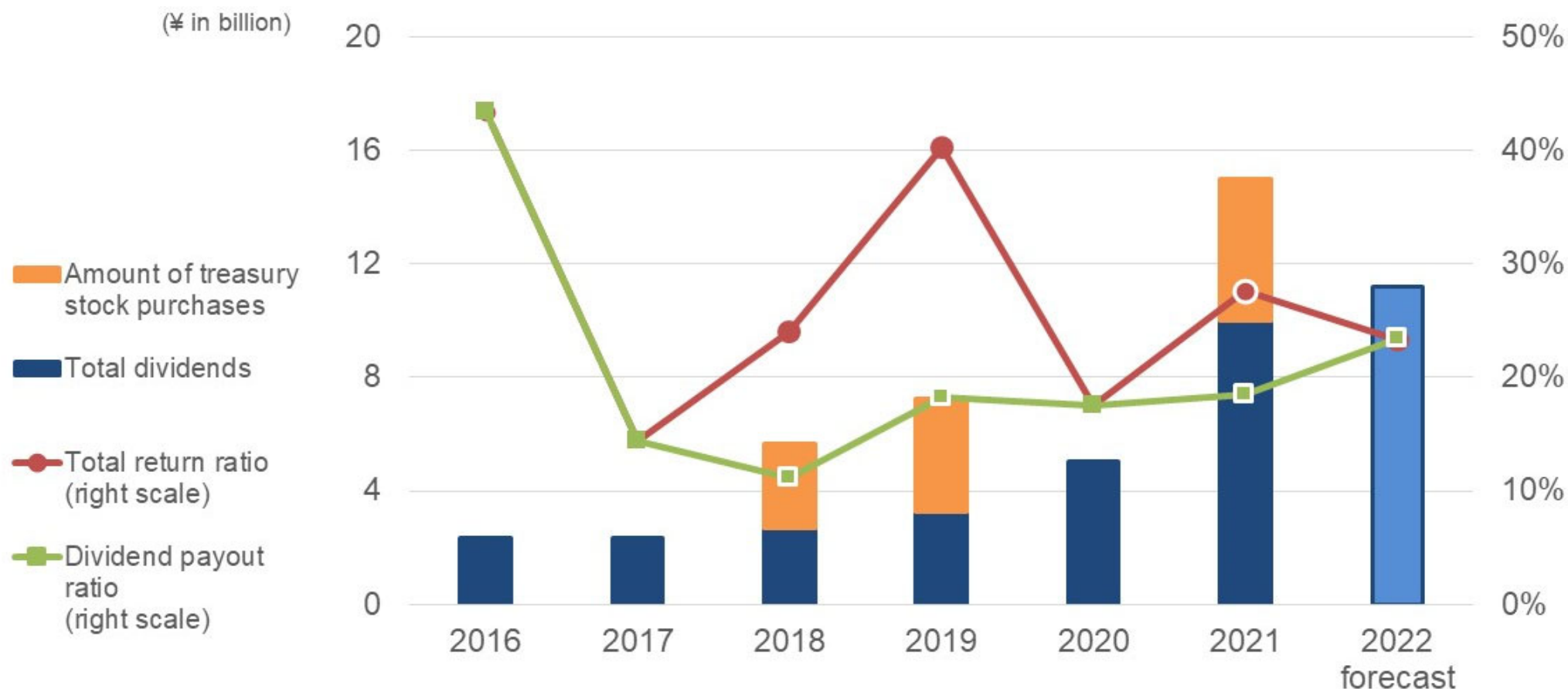
- Concentrate investment in MLCC
 - New buildings are under construction (in Japan, Malaysia, and China)
 - Plan annual capacity increase of 10%-15%
- Expand production capacity of metal power inductors
- Invest in environmental measures, IT, and safe/comfortable workplace creation (approx. 10% of investment funds)

Policy of Returns to Shareholders

- Aim to realize a stable dividend payout ratio of 30%
- Implement share buybacks as necessary

Shareholder Return Policy

**Aim to realize a stable dividend payout ratio of 30% as a medium-term target.
Implement share buybacks as necessary**



Annual cash dividends per share (yen)	20	20	21	26	40	80	90
Net income per share (yen)	46.08	138.80	189.93	143.04	227.99	433.46	385.21

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