Management Policies

Shoichi Tosaka
President and Chief Executive Officer

May 9, 2023
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)
**Materiality**

<table>
<thead>
<tr>
<th>Category</th>
<th>Materiality</th>
<th>SDGs Targets</th>
</tr>
</thead>
</table>
| Economic Value    | • Strengthen core technologies to make our core business grow
                  | • Create solutions to solve social issues                                 | 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE |
| Social Value      | • Strengthen measures to address climate change                             | 6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| E Environmental   | • Use resources effectively and contribute to creating a recycling society | 13 CLIMATE ACTION                                   |
| S Social          | • Achieve health-oriented management and work style reforms at safety first workplace
<pre><code>              | • Train and develop human resources based on the diversity policy         | 3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH |
</code></pre>
<p>| G Governance      | • Improve management quality to support business growth                    | 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
|                   | • Establish and evolve BCM in preparation for disasters or infectious diseases|                                                   |</p>
<table>
<thead>
<tr>
<th></th>
<th><strong>Product Strategy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Further grow the MLCC business and strengthen inductor and communication device products to turn them into core businesses</td>
</tr>
<tr>
<td></td>
<td>- Create high value-added electronic components centered on high-end and high-reliability products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>Market Strategy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>Financial Strategy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>1. Continuously expand production capacity to meet increase in demand for electronic components</td>
</tr>
<tr>
<td></td>
<td>2. Aim to increase returns to shareholders and realize a stable dividend payout ratio of 30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>ESG Initiatives</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Accelerate our efforts with numerical targets to improve our social value</td>
</tr>
<tr>
<td></td>
<td>- (E) Response to climate change, (S) Achieve health-oriented management and work style reforms at safety first workplace, (G) Improve management quality</td>
</tr>
</tbody>
</table>
### KPIs in Medium-term Management Plan 2025

#### Corporate Value (Economic Value + Social Value)

<table>
<thead>
<tr>
<th>Economic Value</th>
<th>Social Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>Absolute amount</td>
</tr>
<tr>
<td>480 billion yen</td>
<td>FY2030 42% reduction</td>
</tr>
<tr>
<td></td>
<td>※compared with FY2020</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>GHG emissions</td>
</tr>
<tr>
<td>15% or higher</td>
<td>FY2030 42% reduction</td>
</tr>
<tr>
<td></td>
<td>※compared with FY2020</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>Waste</td>
</tr>
<tr>
<td>15% or higher</td>
<td>FY2025 10% reduction</td>
</tr>
<tr>
<td></td>
<td>※compared with FY2020</td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td>Water usage</td>
</tr>
<tr>
<td>10% or higher</td>
<td></td>
</tr>
</tbody>
</table>

#### Economic Value
- Net sales: 480 billion yen
- Operating margin: 15% or higher
- ROE: 15% or higher
- ROIC: 10% or higher

#### Social Value
- Absolute amount: FY2030 42% reduction (※compared with FY2020)
- GHG emissions: FY2030 42% reduction (※compared with FY2020)
- Waste: FY2025 10% reduction (※compared with FY2020)
- Water usage: |

#### Social Indicators
- Creating safe, comfortable and environmentally friendly workplaces
- Incidence rate of injuries and illness < 0.016
- Accident frequency rate < 0.08
- 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
Improving Economic Value
The arrival of a connected world
Web 3.0, conversational AI and Metaverse trigger a change in society

- Development in technology
  - Optical computing
  - Autonomous driving

- Smart society
  - Digital twin
  - Smart agriculture
  - Smart maintenance
  - Smart logistics
  - Construction site
  - IoT Healthcare

- Zero traffic accident society
  - Wireless communication between cars and people

- Electronic components of semiconductors are indispensable for all electric devices.
- Fast-growing AI technology, IoT communications and CASE
- Sensing solutions are explosively increasing.
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

Consumer products
- TV
- Game console
- Smart watch

Information equipment
- Tablet device
- PC
- HDD, SSD

Communication equipment
- Smartphone

Automotive
- ADAS
- Meter cluster
- ECU

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

Focus Market
- Automotive 25%
- IT infrastructure/Industrial equipment 25%

Sales ratio of growth market was expanded

Targets
- Focus Market 50%
- Automotive 25%
- IT infrastructure/Industrial equipment 25%

Sales Composition by Market Sector

Focus Market
- 52%

※Estimated by the Company
Product Strategy: Capacitors

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

- Expand production capacity in response to changes in medium-term demand forecasts
  
  Make some changes to the capacity expansion plan. Increase supply capacity by accelerating the shift to high-reliability and large-sized products

  Demand forecast for FY2025 (compared with FY2020)

<table>
<thead>
<tr>
<th>Volume</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous forecast</td>
<td>1.6 times (as of May 2021)</td>
</tr>
<tr>
<td>Forecast this time</td>
<td>1.4 times (as of May 2023)</td>
</tr>
</tbody>
</table>

  - Accelerated increase in highly reliable products and large-sized products
  - Decelerating growth in consumer and small products

- Strengthen the product appeal of highly reliable multilayer ceramic capacitors (MLCCs)
  
  Develop products that meet the needs of automobiles, IT infrastructure/industrial equipment

  Apply elemental technologies developed in high-end products
  
  - small-sized particle of dielectric materials + high temperature compatibility and high reliability
  - small-sized internal electrode powder and high continuity

  Average unit price

  Average unit prices rose due to an increase in the proportion of large-sized products

  External electrode technology to meet customer needs
  
  - Ni electrode, Cu electrode, Ni/Cu electrode + resin
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.

Improve product mix and shift to a more profitable structure

Increase competitive advantage in power inductors and improve profitability by improving item mix

*"MCOIL" is a registered trademark or a trademark of TAIYO YUDEN CO., LTD. in Japan and other countries.
**Product Strategy : Integrated Modules & Devices**

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

- **Communication 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), etc.
  - Security equipment
  - POS system
  - Smart meter

- **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

**Circuit modules**

- **Energy regeneration assist system**
  - Developed an in-house system to be mounted on electric-assisted bicycles that contributes to the realization of a smart mobility society

- **Other module business to be transferred, scaled down or withdrawn**
  - Reallocate resources by transferring the wireless module business to other companies and reducing or withdrawing from the power module business

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*“TLSAW” is a registered trademark or a trademark of TAIYO YUDEN CO., LTD. in Japan and other countries.*
Product Strategy: Conductive Polymer Hybrid Aluminum Electrolytic Capacitors

Expand sales in high-value-added markets, especially automobiles

- Meet customer needs with a wide range of product lineup
  - High reliability, large current, and low noise
  - A wide range of large-sized and high-capacity products

- Increase production capacity to meet growing demand in automotive market
  - Demand for automobiles is growing rapidly due to the adoption of xEVs, electrification of powertrains, and advancement of ADAS
  - Build an efficient integrated domestic system from product development to production to increase production capacity

<table>
<thead>
<tr>
<th>case size</th>
<th>TAIYO YUDEN (ELNA)</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
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<tbody>
<tr>
<td>Φ5 x 5.8</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
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<td>✓</td>
<td>✓</td>
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</tr>
<tr>
<td>Φ8 x 8.7</td>
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<td></td>
</tr>
<tr>
<td>Φ8 x 10</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Φ10 x 8.7</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Φ10 x 10</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Φ10 x 12.5</td>
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<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Φ10 x 16.5</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Φ12.5 x 13.5</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Φ12.5 x 16.5</td>
<td>✓</td>
<td></td>
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</tr>
</tbody>
</table>

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

- Approx. 5.1 times

※Product classification: Others

※Estimated by the Company
Product Strategy: Solution Development/New Business

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

- **Protect people with disaster prevention/mitigation**
  - River water level monitoring system

- **Started offering services to local governments**
  - Monitor river water levels and conditions. Introduced in Fukuyama City, Hiroshima Prefecture, and Oizumi Town, Gunma Prefecture

- **Create a Safe, Secure, Comfortable and Convenient Society with IoT**
  - IoT engine “soliot™”

- **Participated in demonstration experiment of one-coin flood sensor by MLIT***
  - Small size, long life and low cost. Public-private collaboration to assess watershed flooding.

- **Towards a carbon-free society through smart mobility**
  - Regenerative electric assist system for electric assisted bicycle

- **Build efficient societal infrastructure**
  - Cellular LPWA modules for smart meters

“soliot” is a registered trademark or a trademark of TAIYO YUDEN CO., LTD. in Japan.

* the Ministry of Land, Infrastructure, Transport and Tourism
**KPIs (Economic Value)**

### Net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (¥ in billion)</td>
<td>230.7</td>
<td>244.1</td>
<td>274.3</td>
<td>282.3</td>
<td>300.9</td>
<td>349.6</td>
<td>319.5</td>
</tr>
</tbody>
</table>

**Target**

- 480.0 billion yen

### Operating margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin (%)</td>
<td>5.4%</td>
<td>8.3%</td>
<td>12.8%</td>
<td>13.2%</td>
<td>13.5%</td>
<td>19.5%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

**Target**

- 15% or higher

### ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate (%)</td>
<td>3.5%</td>
<td>10.1%</td>
<td>12.6%</td>
<td>12.6%</td>
<td>20.0%</td>
<td>7.5%</td>
<td></td>
</tr>
</tbody>
</table>

**Target**

- 15% or higher

### ROIC

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate (%)</td>
<td>2.6%</td>
<td>7.6%</td>
<td>9.8%</td>
<td>6.8%</td>
<td>9.8%</td>
<td>15.7%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

**Target**

- 10% or higher
Improving Social Value
"ZEB Ready" certification obtained

The materials building of the Yawatabara Plant, which was completed in January 2023, has achieved significant energy savings through its advanced architectural design and the introduction of highly efficient equipment.

Selected for inclusion in CDP’s “Climate Change A List”

Received the highest rating from CDP, the international environmental NPO, for excellence in climate change-related measures, strategy and information disclosure.

Work on TCFD recommendations

Promote manufacturing that considers energy conservation, energy creation and renewable energy to realize a carbon-free society, and expand information disclosure.
ESG Initiatives ～S: Social～

Safe & secure workplace

- One of the safest work environment in manufacturing industry

![Graph showing the accident frequency rate (AFR) for Taiyo Yuden and the manufacturing industry average.]

\[ AFR = \frac{\text{Number of the victims of occupational injury}}{\text{Total actual number of hours worked by registered workers}} \times 1,000,000 \]

- Build a safer workplace through 5Ms
  - 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 “Focus5”
- Improve work-life balance by work system reform
  - Revise the childcare leave system to create a work environment that makes it easier for both men and women to balance work and childcare
- Expand employee training, including management training and anti-harassment training
  - Analyze responses to employee questionnaires and provide training tailored to issues at each location and position

Improvement of work engagement

Aim to be a company where employees work with vitality in good health
KPIs (Social Value)

**GHG emissions**
- Target for FY2030: Reduce absolute amount by 42%
- (on a single-year basis (4.2)% equivalent)

**Waste, Water usage**
- Target for FY2025: Reduce by 10% (basic unit)
- (on a single-year basis (2.0)% equivalent)

※Change basic unit from sales volume to production volume and retroactively change fiscal 2021 figures

**Incidence rate of injuries and illness**
- Accident frequency rate (B) <0.08

**Work engagement**
- Target: 2.5 or higher

**Rate of newly recruited female graduates**
- Target: 30% or higher

**Female manager ratio**
- Target for FY2030: 10% or higher

*As of April 1
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)

<table>
<thead>
<tr>
<th>IN</th>
<th>OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing 20.0</td>
<td>Capital investment 300.0</td>
</tr>
</tbody>
</table>

Capital investment plan

- Concentrate investment in MLCC
  - Launch of new plants (in Japan, Malaysia, and China)
  - Plan annual capacity increase of 10%-15% (equipment load base)
- Expand production capacity of metal power inductors and conductive polymer hybrid aluminum electrolytic capacitors
- Invest in environmental measures, IT, and safe/comfortable workplace creation (approx. 10% of investment funds)

Shareholder return policy

- Realize a stable dividend payout ratio of 30%
- Implement share buybacks as necessary

Previous medium-term management plan (FY2018~FY2020)

<table>
<thead>
<tr>
<th>IN</th>
<th>OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing 23.9</td>
<td>Capital investment 130.5</td>
</tr>
<tr>
<td>Operating CF 148.3</td>
<td>Shareholder returns 60.0</td>
</tr>
</tbody>
</table>

Strengthening financial base 25.6

Shareholder returns 16.0
Shareholder Return Policy

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual cash dividends per share (yen)</th>
<th>Basic earnings per share (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>20</td>
<td>46.08</td>
</tr>
<tr>
<td>2017</td>
<td>20</td>
<td>138.80</td>
</tr>
<tr>
<td>2018</td>
<td>21</td>
<td>189.93</td>
</tr>
<tr>
<td>2019</td>
<td>26</td>
<td>143.04</td>
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<tr>
<td>2020</td>
<td>40</td>
<td>227.99</td>
</tr>
<tr>
<td>2021</td>
<td>80</td>
<td>433.46</td>
</tr>
<tr>
<td>2022</td>
<td>90</td>
<td>186.32</td>
</tr>
<tr>
<td>2023</td>
<td>90</td>
<td>64.20</td>
</tr>
</tbody>
</table>
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.