Management Policies

Shoichi Tosaka
President and Chief Executive Officer

May 13, 2021
Previous Medium-term Management Plan

**Targets**

- **Net sales**
  - ¥300 billion
  - ▶ Achieved

- **Operating margin**
  - 15%
  - ▶ Significantly improved

- **ROE**
  - 10% or higher
  - ▶ Achieved
Sales composition by market sector

- **Consumer products**
  - Flat screen TV
  - Digital camera
  - Smart watch

- **Information equipment**
  - Tablet device
  - PC

- **Communication equipment**
  - Smartphone
  - Mobile phone

- **Automotive**
  - ADAS
  - Meter cluster
  - ECU

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

**Focus Market**

- 50%
  - Automotive 25%
  - IT infrastructure/industrial equipment 25%

**Sales ratio of growth market was expanded**

**Focus Market**

- 43%

※Estimated by the Company
Medium-term Management Plan 2025
(From FY2021 to FY2025)
Where to Aim

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

- Smart products
- Smart design
- Smart production processes
- Systems
  - OHSMS
  - ISO9001
  - IATF16949
  - ISO14001

- High quality
- Low power consumption
- Downsizing
- Abolishing use of toxic substances
- Safety first
- Following rules
- More efficient use of energy
- 100% yields
- Reuse and recycle
- Minimizing emissions
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)

<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 25% reduction</td>
</tr>
<tr>
<td></td>
<td>※compared with FY2020</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>Waste, Water usage</td>
</tr>
<tr>
<td>15% or higher</td>
<td>Basic unit (sales quantity)</td>
</tr>
<tr>
<td></td>
<td>FY2025 10% reduction</td>
</tr>
<tr>
<td></td>
<td>※compared with FY2020</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>Safe &amp; secure workplace</td>
</tr>
<tr>
<td>15% or higher</td>
<td>Optimization of group base functions</td>
</tr>
<tr>
<td></td>
<td>• Creating safe, comfortable and environmental friendly workplaces</td>
</tr>
<tr>
<td></td>
<td>• Incidence rate of injuries and illness &lt;0.016</td>
</tr>
<tr>
<td></td>
<td>• Accident frequency rate &lt;0.08</td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td>Work style reforms</td>
</tr>
<tr>
<td>10% or higher</td>
<td>Diversity</td>
</tr>
<tr>
<td></td>
<td>• Work engagement: 2.5 or higher</td>
</tr>
<tr>
<td></td>
<td>• Rate of newly recruited female graduates: 30% or higher</td>
</tr>
</tbody>
</table>

※Exchange rate assumption: 1US$=¥105
## Materiality

<table>
<thead>
<tr>
<th>Category</th>
<th>Materiality</th>
<th>SDGs Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Value</td>
<td>• Strengthen core technologies to make our core business grow</td>
<td>[7] <strong>AFFORDABLE AND CLEAN ENERGY</strong></td>
</tr>
<tr>
<td></td>
<td>• Create solutions to solve social issues</td>
<td>[9] <strong>INDUSTRY, INNOVATION AND INFRASTRUCTURE</strong></td>
</tr>
<tr>
<td>Social Value</td>
<td>• Strengthen measures to address climate change</td>
<td>[6] <strong>CLEAN WATER AND SANITATION</strong></td>
</tr>
<tr>
<td></td>
<td>• Use resources effectively and contribute to create recycling society</td>
<td>[12] <strong>RESPONSIBLE CONSUMPTION AND PRODUCTION</strong></td>
</tr>
<tr>
<td>E Environmental</td>
<td></td>
<td>[13] <strong>CLIMATE ACTION</strong></td>
</tr>
<tr>
<td>Social Value</td>
<td>• Achieve health-oriented management and work style reforms at safety first workplace</td>
<td>[3] <strong>GOOD HEALTH AND WELL-BEING</strong></td>
</tr>
<tr>
<td>S Social</td>
<td>• Train and develop human resources based on the diversity policy</td>
<td>[5] <strong>GENDER EQUALITY</strong></td>
</tr>
<tr>
<td>Social Value</td>
<td>• Improve management quality to support business growth</td>
<td>[8] <strong>DECENT WORK AND ECONOMIC GROWTH</strong></td>
</tr>
<tr>
<td>G Governance</td>
<td>• Establish and evolve BCM for disaster and infectious disease</td>
<td>[11] <strong>SUSTAINABLE CITIES AND COMMUNITIES</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>[16] <strong>PEACE, JUSTICE AND STRONG INSTITUTIONS</strong></td>
</tr>
</tbody>
</table>
**Initiatives on ESG  ~E : Environmental~**

**Until now**

- **Half Impact For Earth**-

Energy consumption per unit was decreased by about half over the past 12 years.

- **Crude oil equivalent** - **Basic unit improvement rate (right scale)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2008</th>
<th>FY2010</th>
<th>FY2015</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy use</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(million L)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-25%</td>
<td></td>
<td>-36%</td>
<td>-55%</td>
<td></td>
</tr>
</tbody>
</table>

**From now**

- **To achieve carbon-neutral in 2050**

Decrease absolute GHG emission by 25% in production and business activities (by FY2030).

- In business-as-usual (BAU) scenario, nearly triples due to production increases.

- **Relative to BAU -75%**

- **25% cut absolute**

**Until now**

- Thorough energy saving despite increase of production volume
- Installation of photovoltaics at the Group’s production bases

**From now**

- Promote manufacturing with emphasis on decarbonization
- Thorough energy saving, energy creation and using renewable energy
- Set targets based on SBT. Agreed to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Tag-embedded sensor attached to an employee ID card.

We introduced a solution with our IoT engine “soliot™” to prevent crowdedness and poor air circulation by checking the number of people and CO₂ content in a room.

**Initiatives on ESG ~S : Social~**

### Safe & secure workplace

**One of the safest work environment in manufacturing industry**

<table>
<thead>
<tr>
<th>Year</th>
<th>AFR</th>
<th>AFR: Japanese manufacturing industry avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>1.06</td>
<td><strong>1.15</strong></td>
</tr>
<tr>
<td>FY2016</td>
<td>1.15</td>
<td><strong>1.20</strong></td>
</tr>
<tr>
<td>FY2017</td>
<td>1.02</td>
<td><strong>1.06</strong></td>
</tr>
<tr>
<td>FY2018</td>
<td>1.20</td>
<td><strong>0.80</strong></td>
</tr>
<tr>
<td>FY2019</td>
<td>0.08</td>
<td><strong>0.14</strong></td>
</tr>
<tr>
<td>FY2020</td>
<td>0.08</td>
<td><strong>0.04</strong></td>
</tr>
</tbody>
</table>

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

**Work style reforms/Diversity**

**Health-oriented management**
- Improvement of well-being
- Measures against lifestyle diseases and stress

**Work style reforms**
- Promote good work/life balances
- Establish evaluation system to promote employees’ challenges
- Establish role-based remuneration system

**Diversity**
Promote diversity in gender, nationality, etc

**Aim to be a company where employees work with vitality in good health**
Environment surrounding TAIYO YUDEN
〜Background of demand expansion for electronic components〜

The arrival of a connected world
Society 5.0 and COVID-19 trigger a change in society

Electronic components, supporting 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 increased use of electrical equipment in automobiles.

- Multilayer ceramic capacitors
  - Ni electrode
  - Cu electrode
  - High-frequency circuit design
- Multilayer ceramic filters
- Piezoelectric material
- Solid electrolyte material
- Multilayer metal power inductors
- All solid-state lithium ion secondary batteries
- Actuators

Material technology
Multilayer technology
Metal material
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 in high capacitance products
  - Dispersal of production facilities

- **Focus on high-end and high-reliability products**
  Increase sales for high-performance smartphones, automobiles, and IT infrastructure/industrial equipment requiring advanced technological capabilities

- **Demand forecast of MLCC (Volume)**

  ![Bar chart showing demand forecast from FY2020 to FY2025]

  - Around 1.6 times

  *Estimated by the Company

Aluminum electrolytic capacitors

- **Conductive polymer hybrid aluminum electrolytic capacitors**
  Greater demand due to promotion of electric vehicles

- **Expand sales network**
  Utilizing TAIYO YUDEN Group sales network
Expand our original multilayer and metal MCOIL™ MC series

- **Multilayer**
  - Small
  - Low profile
  - Composite (2 in 1, Array)

- **Metal material**
  - Large current
  - High efficiency
  - High heat resistance

- **Inductors**
  - Multilayer chip inductors, wire-wound inductors

Diversification of markets and customers

Expand market to smartphone, IoT, automobiles, and IT infrastructure to achieve a connected world

Internal structure of MCOIL™ MC series

No organic adhesive used, no thermal degradation. Can use for long time at high temperature. High thermal conductivity.
Product Strategy: Integrated Modules & Devices

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

Communications devices

- **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**
  
  Expand both discrete sales to assembly manufacturers and sales for module markets, especially markets requiring high reliability

- **Expansion into new markets**
  
  Expand sales for telematics, M2M and IoT

Circuit modules

- **Selection and concentration**
  
  Cut down items with no growth potential to improve profitability

Energy recovery system, power supply/high frequency modules, embedded-parts multilayer wiring substrate, etc.
Develop solutions to social issues by combining our original technology and outside technical resources

Product Strategy: New Business

- Position detection
- Efficient power generation
- Flood monitoring
- Odor detection
- Bridge monitoring
- Smart meter
- Traffic monitoring
- CO₂ reduction
We plan capital investment of ¥300 billion over five years to meet increase in demand of electronic components (from FY2021 to FY2025)

- Concentrate investment in MLCC and continuously expand production capacity
- Increase capabilities of inductors and communication devices by focusing on growth items
- Invest in environmental measures, IT, and safe/comfortable workplace creation

Plan to construct new buildings (Japan, China, Malaysia)

MLCC Existing plants
- Japan (2 plants)
- Korea
- China
- Malaysia

(¥ in billion)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Capital Investment</th>
<th>Depreciation and Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2017</td>
<td></td>
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<tr>
<td>FY2018</td>
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<tr>
<td>FY2019</td>
<td></td>
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<tr>
<td>FY2020</td>
<td></td>
<td></td>
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<tr>
<td>FY2021 (forecast)</td>
<td></td>
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</tbody>
</table>
Policy of Returns to Shareholders

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

<table>
<thead>
<tr>
<th>Annual cash dividends per share (yen)</th>
<th>20</th>
<th>20</th>
<th>21</th>
<th>26</th>
<th>40</th>
<th>60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income per share (yen)</td>
<td>46.08</td>
<td>138.80</td>
<td>189.93</td>
<td>143.04</td>
<td>227.99</td>
<td>239.01</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.
TAIYO YUDEN