Management Policies

Shoichi Tosaka
President and Chief Executive Officer

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Our Vision

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

- Smart products
- 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

OHSAS18001, ISO9001, IATF16949 (TS16949), ISO14001
Change Business Model to Establish Profitable Operating Structure

Three products and one solution

- **Strengthen core technologies** (Material, process, design)
- **Advancement of manufacturing**

**Material**
- Capacitors
- Inductors
- Communications devices

**Component**

**Large**

Create new business by providing solutions

- New business
  - Functional modules
- Provide solutions and after-sales services
- Modularization
  - Software

**Small**

The distance from the end customer

- Distant
- Mounting
- Assembly
- Close
The World to Come: The Spread of IoT

- Automobiles, etc.
- Energy
- Smartphones / wearable devices
- Industrial equipment

Big data

(Data centers)

(Artificial Intelligence)
Spread of IoT Driving Increased Demand for TAIYO YUDEN Electronic Components

- **Automobiles, etc.**
  - MLCCs/inductors (high reliability)
  - Conductive polymer hybrid aluminum electrolytic capacitors, etc.
  - Energy regeneration systems for electric bicycles
  - Piezoelectric pressure wave Sensors

- **Data centers**
  - MLCCs (large capacitance)
  - Inductors (higher current)
  - MRLD™ (Memory Based Reconfigurable Logic Device)

- **Smartphones / wearable devices**
  - MLCCs/inductors (small, large capacitance / higher current)
  - FBAR/SAW devices
  - Actuators (haptic technology)
  - All solid-state lithium-ion secondary batteries

- **Industrial equipment**
  - MLCCs/inductors (high voltage resistance/higher current)
  - Large power capacitors
  - Gas smell sensors

- **Energy**
  - LITHOSION™ (lithium-ion capacitors)
  - PV monitoring systems

- **Security**
  - Wireless modules
  - Wireless optical communications

- **Big data**
  - (Artificial Intelligence)

Provision of products
Provision of solutions
Medium-term Management Plan

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

Targets for achievement by FY ending March 2021

![Graph showing net sales and operating margin from 2009 to 2021 with forecast and target values.](image-url)
Initiatives to Achieve Medium-term Management Plan

1. Expand **focus markets**; work toward a sales ratio of **38%** (the golden ratio)
   *Automobiles, Industrial equipment, Environmental energy, Healthcare*

2. Promote further advancements in manufacturing; **smart. E project**

3. Shift to **aggressive capital investment**; accelerate investment centered on capacitors
1. Focus Markets

Sales composition by market sector

Mar. 2014
- Consumer products: 35%
- Information equipment: 20%
- Automobiles and industrial equipment: 19%
- Communication equipment: 22%
- Other: 22%

Mar. 2018
- Automobiles: 42%
- Consumer products: 14%
- Information equipment: 12%
- Communication equipment: 31%

Targets
- For automobiles and industrial equipment: 38% (Estimated by the Company)
- For automobiles: 15%

Automotive sales
- CAGR 35%
1. Focus Market: Automotive Market

Increasing demand for large-size, high voltage resistant, and highly-reliable components

- Improved functionality of instrument clusters
- Advances in engine ECUs
- Increased sensors
- Enhancement of safety features
- Electrification of vehicles
- Further increases due to autonomous driving systems

Number of electronic components installed per unit (of which approx. half are MLCCs)

- Medium-class vehicle: 6,300 pcs
- High-class vehicle: 8,200 pcs
- HV: 10,000 pcs
- EV: 14,000 pcs
1. Focus Market: Automotive Market

April 2018 ELNA CO., LTD. Made Subsidiary

1. Joint development/production of and material procurement for electric double-layer capacitors (EDLCs) and lithium-ion capacitors
2. Sharing of technological and production expertise in capacitor business
3. Sales expansion through cooperation

Expanded automotive product lineup, accelerated enhancement of market position

Overview of ELNA CO., LTD.

Overview of Consolidated Performance
(Capacitor business for the period ended December 2017)

- Net sales: 13,077 million yen
- Operating income: 1,221 million yen
- Operating margin: 9.3%

Product Lineup
- Conductive polymer hybrid aluminum electrolytic capacitors
- Aluminum electrolytic capacitors
- EDLCs
Capacitor Business Trends and Positioning of ELNA CO., LTD.

**Voltage (V)**

- **1000**
- **100**
- **10**

**Capacitance (μF)**

- **1000**
- **100**
- **10**

**MLCC**

**Conductive polymer hybrid aluminum electrolytic capacitors**

**Large power capacitors**

*Mass production preparations under way*

**EDLCs / lithium-ion capacitors (LITHOSION™)**

**All solid-state batteries**

*Under development*

**Replacement from film capacitors**

**Mild hybrid vehicles (conversion to 48V)**

**Cloud, ADAS, Smartphones**

**Automobiles, industrial equipment**

**Wearable devices**

**EV, SiC, GaN**
2. smart. E Project: Advancements in Manufacturing

~Shift from G to E~

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

FY2016~
STAGE1
Visualization of abnormalities
Trial operation

Completed

FY2017~
STAGE2
Early detection of abnormalities
Implementation across the board

Implementation under way

FY2018~
STAGE3
Prevention of abnormalities
Full-scale operation

Start

FY2017 results
• Control of human-induced variations
• Early detection of abnormalities
  → Improvements in yield / quality
  → Improved productivity

Innovative advance
Location free

Control capital investment
Improve productivity
Zero defects

TAIYO YUDEN 2017
3. Capital Investment

**Broader scale of investment**

￥100 billion → ￥150 billion in three years

**December 2018**

No. 3 Plant at Niigata Taiyo Yuden Co., Ltd.
planned for completion
(capacitor production base)

**Going Forward**

Accelerated capital investment, including construction of new plants
Establish production system capable of responding to increased demand for electronic components
Profit Distribution

• Shift to aggressive investment of about ¥150 billion in three years
• R&D geared toward new product and business development

• As a medium-term target, aim to achieve a stable total return ratio of 30%

![Graph showing profit distribution over time]
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.