

New Medium-term Management Plan

April 1, 2012 to March 31, 2015

**Smart
Solutions**

TAIYO YUDEN GREEN PRODUCTS



TAIYO YUDEN

May 15, 2012
TAIYO YUDEN CO., LTD.

- **Consolidated Performance for the Year Ended March 31, 2012**
- **Review of the Previous Medium-term Management Plan**
- **Structural Improvement Measures**

Consolidated Performance

for the year ended March 31, 2012

TAIYO YUDEN

Unit: Millions of yen	Year ended March 31, 2012 (01 Apr 2011 – 31 Mar 2012)		Increase (Decrease)	
	Forecast [as of Dec 26, 2011]	Actual	Amount	%
Net sales	189,000	183,795	(5,205)	(2.8)
Operating income	(7,000)	(8,010)	(1,010)	-
Ordinary income	(10,000)	(9,070)	930	-
Net income	(19,200)	(21,599)	(2,399)	-

Net sales: Sales fell amid stagnant demand for TVs, PCs and LCD panels, despite firm demand for smartphones

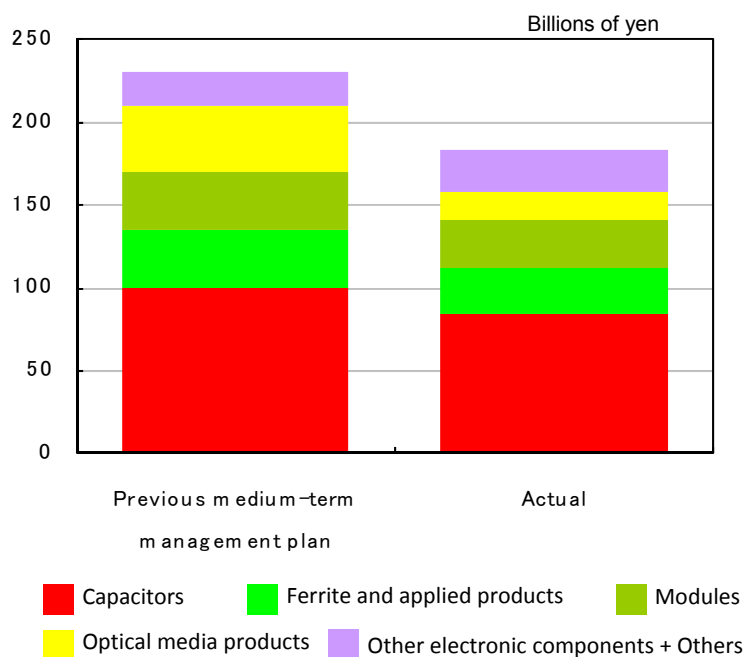
Net income: ¥21.5 billion loss mainly attributed to the following factors

- Business structure improvement expenses ¥4.2 billion; Special extra retirement payment for solicitation of voluntary retirement, etc
- Income taxes- deferred ¥5.8 billion; Reversal of deferred tax assets, etc

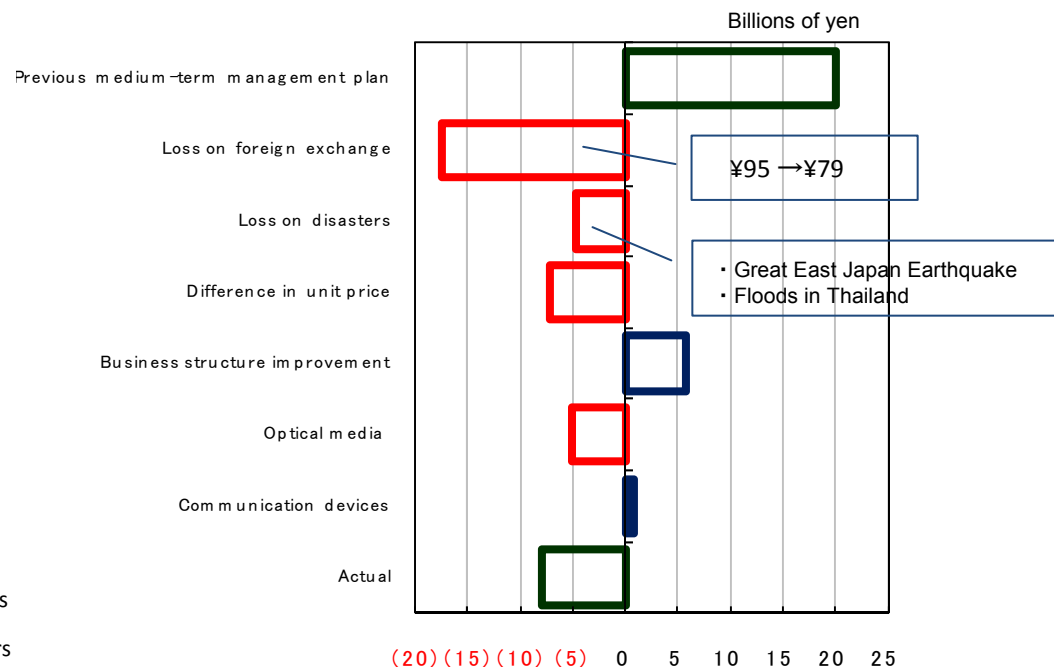
Year ended March 31, 2012

	Net sales	Operating income
Previous Medium-term Management Plan	¥230.0 billion	¥20 billion
Actual	¥183.7 billion	¥(8) billion

Net sales



Operating income



Negative Factors: Impact from yen appreciation, disasters and difference in unit price as well as downturn in optical media

Positive Factors: Gains in communication devices

Reduction of fixed costs: ¥10 billion / year

Structural improvement measures <small>(announced 10 Nov 2011)</small>	Progress update
Structural reform <ul style="list-style-type: none"> ▪ Optimal use of overseas sites (overseas production rate: 53%→70%) ▪ Withdrawal from unprofitable products ▪ Restructuring of domestic and overseas sites and personnel reductions 	<ul style="list-style-type: none"> ▪ Full-scale shift of capacitor and inductor production overseas set to begin in the first half of the year ending March 31, 2013 ▪ Eliminate all unprofitable products by the end of the year ending March 31, 2013 (plans already drawn up) ▪ Implementing staff downsizing at TAIYO YUDEN and its consolidated subsidiaries in Japan and overseas
Restriction of capital investment (¥15 billion forecast for next FY)	<ul style="list-style-type: none"> ▪ ¥18.5 billion in capital investments for the year ending March 31, 2013 (¥8.2 billion less than the previous fiscal year) ▪ Keep capital investments less than depreciation expenses during the implementation period of the new medium-term management
Reduction of SG&A and other expenses	<ul style="list-style-type: none"> ▪ Expect to reduce by ¥1.8 billion for the year ending March 31, 2013 (compared to the year ended March 31, 2012) ▪ Implemented organizational changes to reform purchasing and logistics systems
Lowering of currency exchange rate influence (40% reduction)	<ul style="list-style-type: none"> ▪ Reduced by 27% at the time the performance forecast is drafted

Structural reforms progressing according to plan

➤ **New Medium-term Management Plan**

April 1, 2012 to March 31, 2015

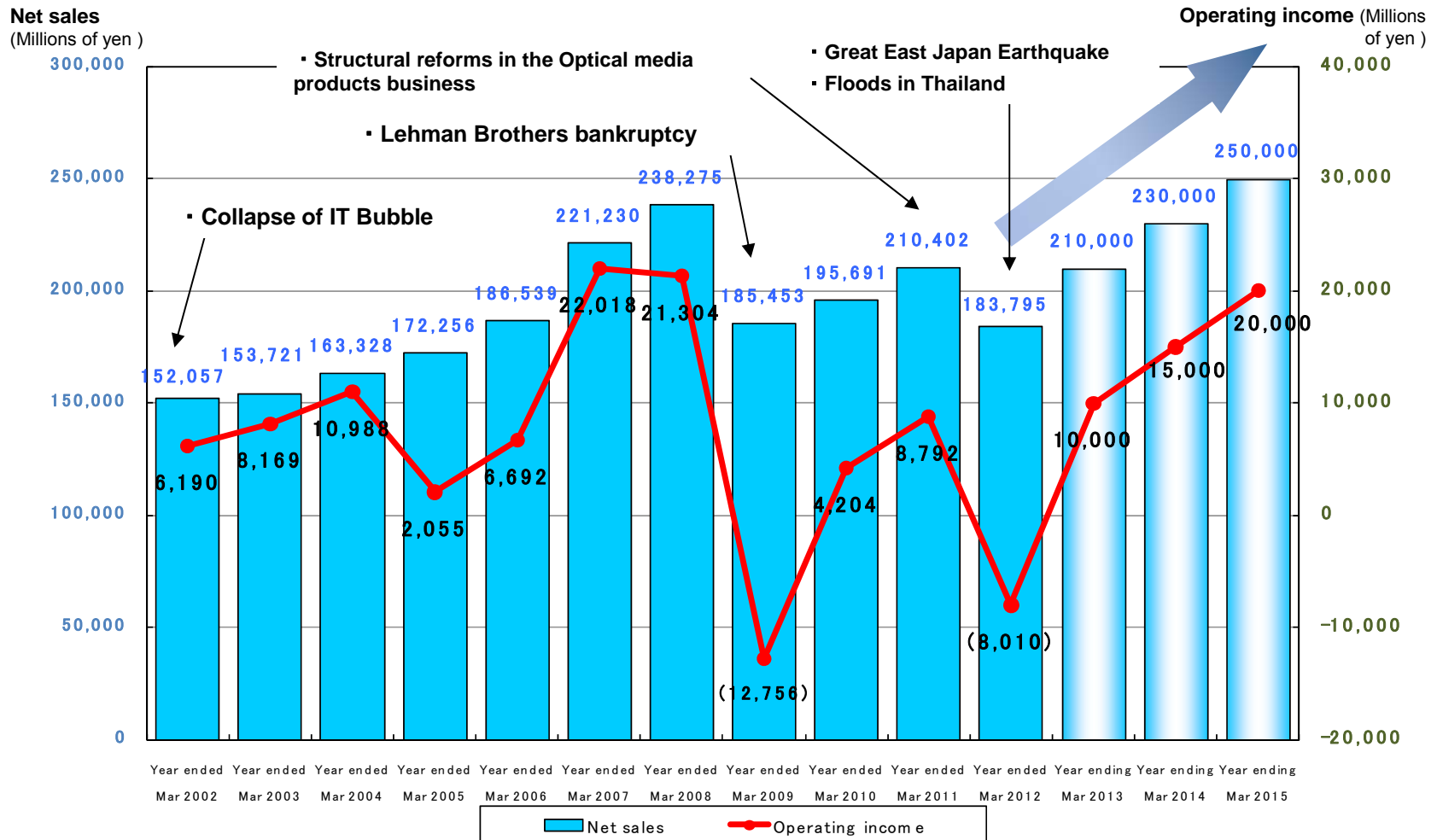
New Medium-term Management Plan: Management Targets

- Year ending March 2015

Net sales ¥250,000 million, Operating income ¥20,000 million, ROE8%

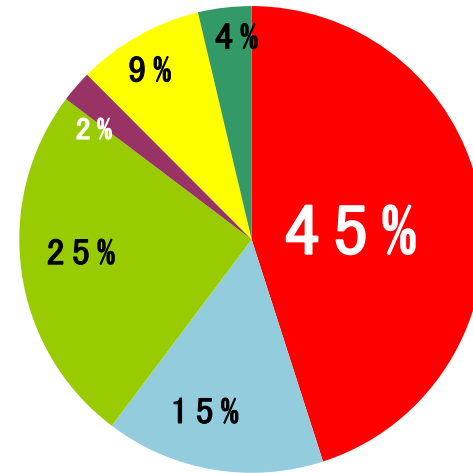
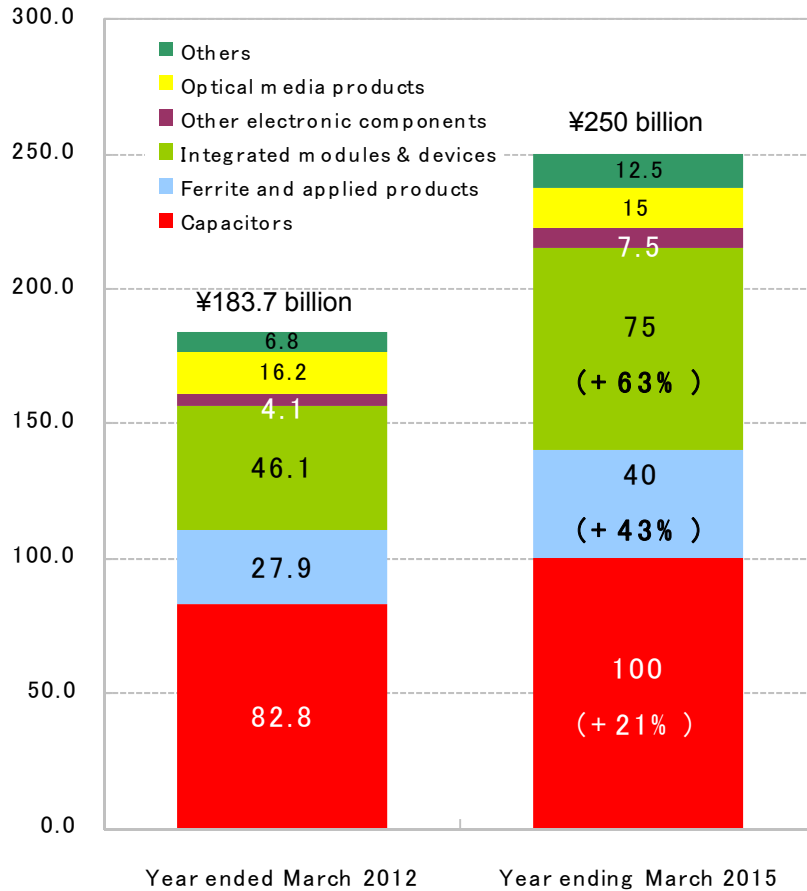
- Year ending March 2016

Positive net cash position (positive CF for each FY to improve financial indicators)

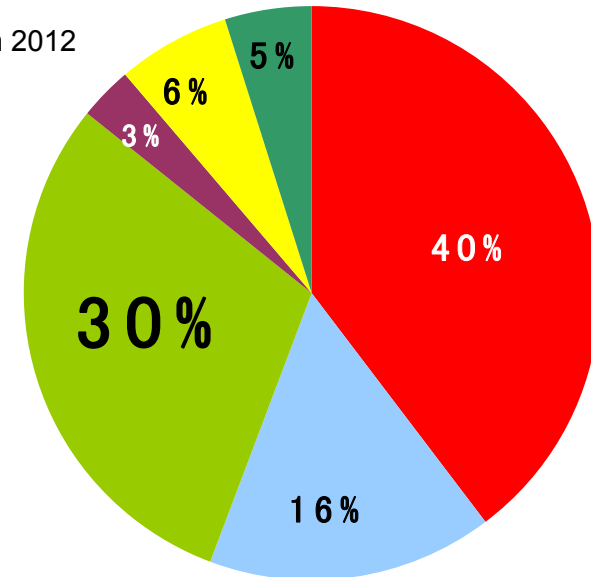


Net Sales by Product Category

(Billions of yen)



Year ended March 2012



Year ended March 2015

Establish balanced business structure

Strategies aiming at earnings growth

- ☆Launch super hi-end line up
- ☆System solutions
- ☆Expand sales channels

High growth markets
• smartphone
• tablet PC

•Concentrate sales
•Bolster FAE(*)

Capture top market share by rolling out super high-end products

•Roll out high-value products
•System solutions

•Rep sales
•Expand number of distributors (E-commerce)

Industrial equipment
Automotive
Environmental energy
Healthcare

Alliance
M&A

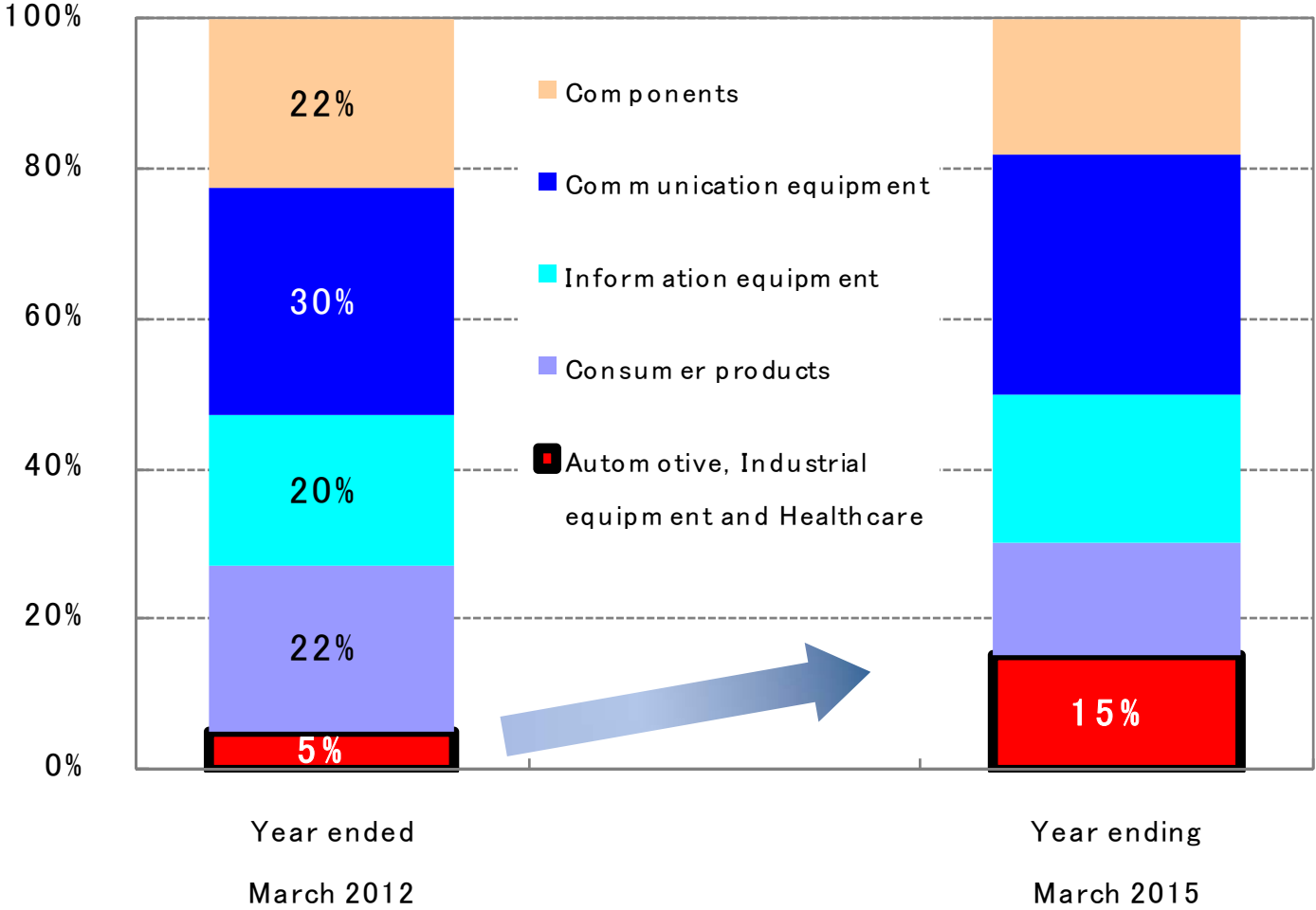
Raise visibility/ presence in markets

Main sales markets in the past

Market (Devices)

(*) Field Application Engineer

Ratio of Net Sales by Equipment



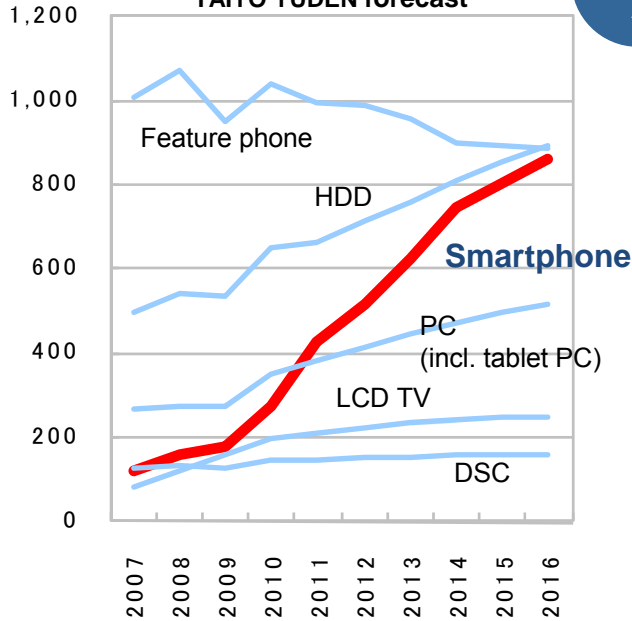
➤ Break free of dependence on existing markets

➤ Grow sales in new markets

- Roll out super high-end products for the high growth smartphone market
- Increase number of main clients using these products/
Augment production capacity

Production Volume (millions of units)

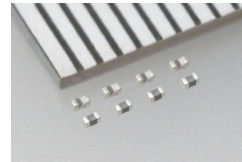
TAIYO YUDEN forecast



High-frequency multilayer chip inductors

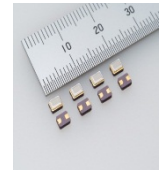
Multilayer chip beads

Expand lineup into EIA01005 size (0.4×0.2×0.2 mm)



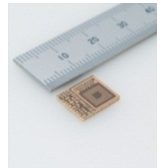
Ceramic type polyacene capacitors

Strengthen Real Time Clock backup applications



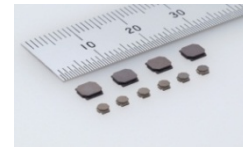
Embedded-parts multilayer wiring substrate EOMIN®

Expansion into FEM



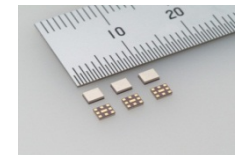
Compact large-current power inductors

Commercialize "MCOIL®" using metallic new material



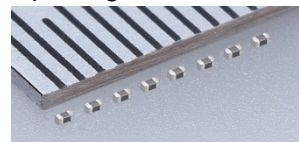
SAW filters, Duplexers and FEM

Expansion of production capacity to meet growing demand



Multilayer ceramic capacitors

Expansion of super high-end products



(number)	3G feature	Smartphone
MLCC	300~400	400~600
Power L	8~10	15~20
SAW · Dup	4~6	6~8
High-frequency L	20~40	40~60
Beads	15~25	30~40
Kit@ index	Using 1	Greater than 1.5x

TAIYO YUDEN calculation

Key target markets

➤ Expansion of sales in automotive, industrial equipment and healthcare markets

➤ Entry into environmental and energy markets

- Strengthen products for energy devices
- Solutions business centered on energy management technologies
- Enhance high reliability product line-up (electronic components, archiving media)



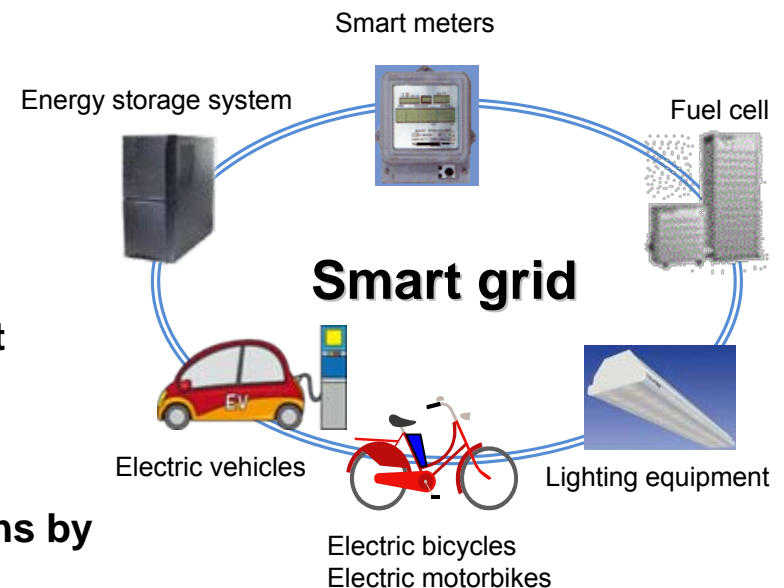
Develop structure for creating new businesses

➤ Establish “New business planning development division”

Aggressive alliance/ M&A strategy

➤ Speed up expansion into other business domains by casting aside standalone approach in favor of partnerships

High-reliability media (ISO media)



Product Rollouts

~Super High-end MLCC~

- Firmly maintain major share of the super high-end market
- Expand in high-quality markets (automotive, industrial equipment and healthcare)
- Enhance production efficiency through maximum use of overseas production

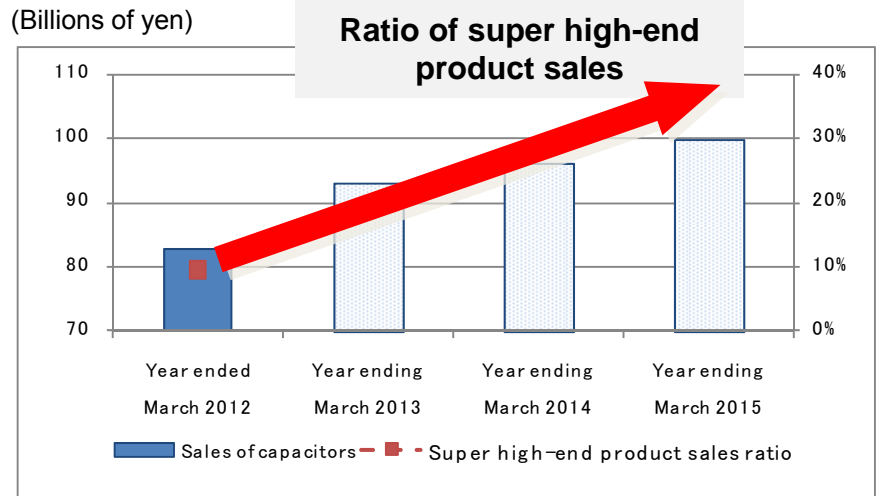
Capacitors
Operating profit margin:
Greater than 10%

~1000	Super High-End						
~100	High-End			Super High-End			
~10				High-End		Super High-End	
~1uF						High-End	Super High-End
EIA (JIS)	1210 (3225)	1206 (3216)	0805 (2012)	0603 (1608)	0402 (1005)	0201 (0603)	01005 (0402)

Worldwide product rollout



(Billions of yen)



Capture top market share of over 50% for super high-end products

Product Rollouts

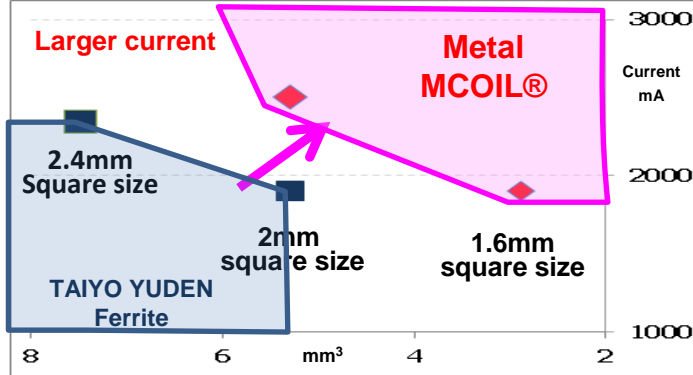
~Super High-end Inductors~

- Improve profitability through enhanced line-up of new products
- Strengthen IC reference products/ Develop new products that meet market needs

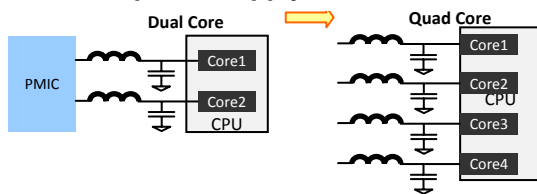
Bring next generation high power, super high-end metal type inductors to market

Ferrite and applied products
Operating profit margin:
Greater than 10%

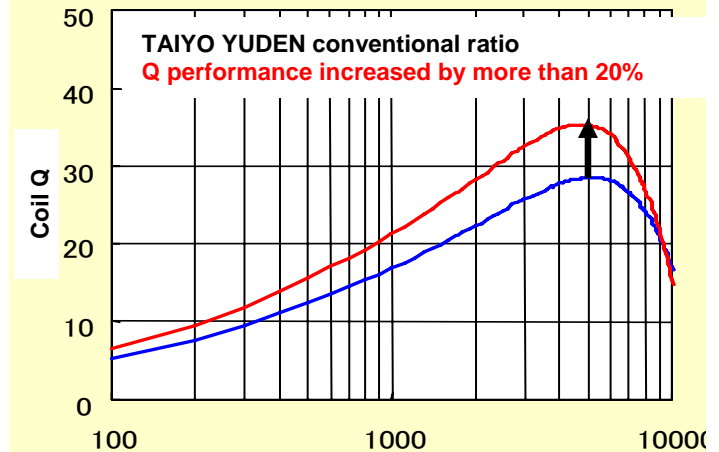
Increase in total number/ larger currents ⇒ Growing demand for compact metal solutions



Core power supply demand : 2x



Bring super high-end compact, hi-Q inductors for high frequency applications to market



- Aim to double power inductor sales: FY ended Mar 2012 ⇒ FY ending Mar 2015
- Capture the top of more than 50% market share for metal inductors used in smartphones
- Capture top market share for high-Q, high frequency inductors

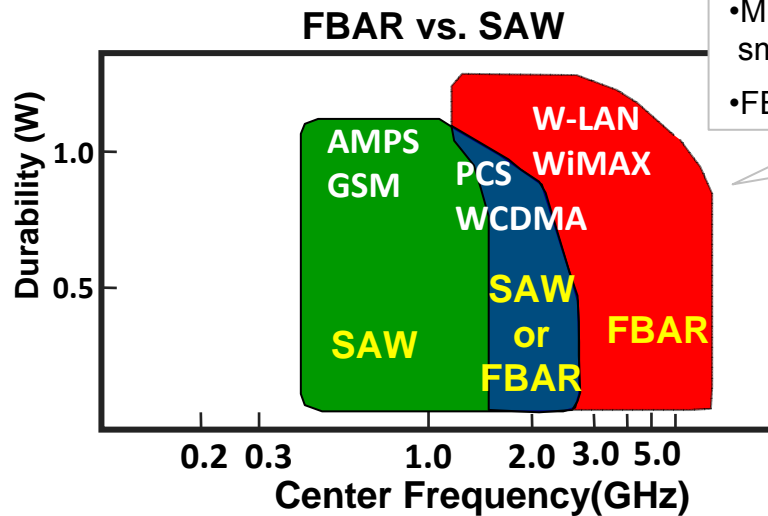
Product Rollouts

~Super High-end High Frequency Devices~

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- Shift business structure from modules to integrated modules & devices
- Enhance presence in the high-frequency business and power supply/ energy business etc.

Integrated modules & devices
Operating profit margin: Greater than 5%

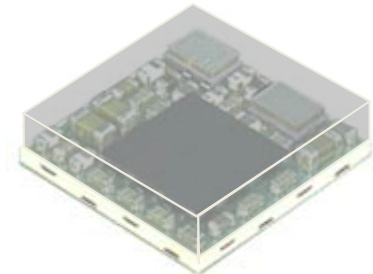
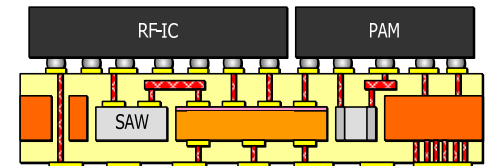


- Multi-channel high-frequency trend continues as smartphones move to LTE.
- FBAR needed for high frequency ranges.

Low Profile MLCC
High-Q HF inductor



Embedded-parts multilayer wiring substrate EOMIN®



Create black box by integrating communication devices and embedded-parts multilayer wiring substrate EOMIN®

Double in sales of communication devices
(Year ended March 2012 ⇒ Year ending March 2015)

Consolidated Earnings Forecast

for the year ending March 31, 2013

TAIYO YUDEN

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			Amount	%
Net sales	183,795	210,000	26,205	14.3
Operating income	(8,010)	10,000	18,010	-
Ordinary income	(9,070)	9,000	18,070	-
Net income	(21,599)	5,500	27,099	-

Operating income: Fixed cost reductions and growing demand for super high-end products help increase sales and significantly boost profitability

Exchange rate: Estimated average yen exchange rate to the US dollar: ¥80.00

Drop in unit prices: Projected 12% decrease in unit prices of single item components

Basic policy: Stable annual dividend of ¥10 per share

- Annual dividend for the year ended March 31, 2012 was reduced to ¥5 per share due to a rapid weakening in financial standing

- **Plan to offer an annual dividend of ¥10 per share for the year ending March 31, 2013 thanks to an anticipated improvement in earnings**
- **Total return ratio(*) set at 30% once the targets of the new medium-term management plan have been achieved**
(*) payment of cash dividend + purchase of treasury stock/ net income

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