

To Our Shareholders

Working to be an excellent company that enjoys the trust and highest regard from our stakeholders.

Overview of the Fiscal Year Ended March 2012

The fiscal year ended March 2012 was a very turbulent year, with the Japanese economy at a standstill in the wake of the Great East Japan Earthquake, economic uncertainty prevailing in Europe and a number of other factors, such as the strong yen and floods in Thailand, adversely affecting the business climate. It is no exaggeration to say that external factors had a dominating influence on TAIYO YUDEN and its operations throughout the year.



Chairman and Representative Director
Yoshiro Kanzaki
President and Representative Director
Eiji Watanuki

TAIYO YUDEN has been steadily working to improve its business structure. We have implemented a growth strategy that aims to achieve sustained growth by building a foundation that will produce earnings that are not substantially affected by external factors. These structural improvements include plans to reduce fixed costs by roughly ¥10 billion per year—a goal that we expect to reach in the fiscal year ending March 2013. Our strategy for growth focuses on developing new products and increasing opportunities to propose solutions to customers, as well as seeking to cultivate new markets. To this end, we are taking steps to make better use of Field Application Engineers (FAEs) to enhance sales activities. By increasing the number of sales personnel possessing the advanced technical knowledge, TAIYO YUDEN can actively participate in the planning stages of our customers' projects, helping the customer solve problems and make technical proposals at the time when customers are deciding which products to acquire and develop.

TAIYO YUDEN is steadily making progress in these structural improvement efforts, aiming to be an excellent company that enjoys the trust and highest regard from our stakeholders. Nevertheless, in the fiscal year ended March 2012, the external factors discussed above caused sales and profits to decline year over year. Consolidated net sales fell 12.6% year over year, to ¥183,795 million, generating an operating loss of ¥8,010 million (versus an ¥8,792 million operating profit the previous year). Extraordinary items included special extra retirement payment for the solicitation of voluntary retirement, posted as a business structure improvement expense, as well as the depletion of deferred tax assets. As a result, the net loss for the period was ¥21,599 million, compared with a ¥5,506 million net loss in the previous fiscal year.

Unit: Millions of yen	Year ended March 31, 2011 (01 Apr 2010 – 31 Mar 2011)	Year ended March 31, 2012 (01 Apr 2011 – 31 Mar 2012)	Amount	%
Net sales	210,401	183,795	(26,606)	(12.6%)
Operating income	8,792	(8,010)	(16,803)	-
Ordinary income	6,740	(9,070)	(15,810)	-
Net income	(5,506)	(21,599)	(16,093)	-

During the fiscal year ending March 2013, TAIYO YUDEN embarked on a new three-year Medium-term Management Plan. The plan includes structural improvements based on continued plans to reduce fixed costs. By implementing this new Medium-term Management Plan, the Company will achieve its strategy for growth.

Mission of the Top Management

At present, TAIYO YUDEN's management structure is headed by two top executive officers—the Chairman and the President. The Chairman's main responsibilities are to chair the Board of Directors, provide management oversight of all operations, and oversee compliance activities (internal auditing, corporate social responsibility (CSR) and internal management control). The President is in charge of overall business activities, including sales and production. The two top executives regularly consult with one another on important issues affecting the overall performance of the Company. The primary aim is to further improve the corporate value of TAIYO YUDEN.



The Company's management philosophy places high priority on "employee well-being", "the betterment of local communities" and a "responsibility to provide returns to shareholders." By increasing earnings, the Company can enhance its economic presence and value, thereby benefitting not only its customers and shareholders but also its employees and the communities in which we operate. At TAIYO YUDEN we make it our mission to contribute to the benefit of all stakeholders.

To achieve this philosophy, we believe that it is essential to increase the number of core businesses and achieve a well-balanced business structure. To achieve this management philosophy, we believe that it is essential to increase the number of core businesses in order to realize sustained growth. TAIYO YUDEN's core businesses included capacitor and inductor component products. As part of this philosophy we will also develop the Integrated Module and Device Business as a central pillar of our product offerings. Our strategy involves taking part in the planning stages with our customers. At the point in the product phase that our customers are developing the concepts for a new product, we can propose solutions and supply products in a timely manner to help customers meet their objectives. In this way, TAIYO YUDEN can become an excellent company that enjoys the trust and highest regard from our stakeholders.

■ Growth Strategy



In July 2011 TAIYO YUDEN adopted a "mini-company" structure. The declared purpose of the mini-company structure is to improve business efficiency and accelerate operations. Each of the business functions—product development, materials procurement, production and sales—were divided into separate structures for each mini-company. This structure allows each mini-company to function as an independent unit to enhance our focus and the awareness of employees handling each of these functions on how best to provide value and increased earnings of the business for which they are responsible. In addition, our sales personnel can relay customer needs and intentions to the product development and production units on a more efficient basis. In this way, all

functions at TAIYO YUDEN are unified in a single structure which works more effectively to address customer needs.

In the year ending March 2013, we are embarking on a new Medium-term Management Plan which focuses on expanding the lineup of super-high-end products, adopting a sales structure based on the development of customer solutions, and cultivating new markets. The key to meeting these objectives is to make effective use of FAEs to support sales activities. In order to make effective proposals to customers at the product development phase, it is necessary to use marketing activities to identify specific needs at the early stage of development.

Most products that are introduced in the market are the result of development efforts that began several years earlier. By enhancing marketing efforts, TAIYO YUDEN can get its foot in the door at the development stage, and propose products and solutions that match our customers' needs and product development timing. This will in turn make the product development phase more efficient. We can help customers address their problems throughout the development process, thereby helping to build a relationship of trust, while gaining the opportunity to propose a variety of solutions. At the same time, we believe that this will also improve overall customer satisfaction.

*Please refer to the section on the new Medium-term Management Plan for more details about our growth strategy.

■ Progressing Towards the Goals of the New Medium-term Management Plan

In order to be an excellent company that enjoys the trust and highest regard from our stakeholders, TAIYO YUDEN must successfully implement its structural reforms and its growth strategy. If the Company can fully implement these two objectives on a sustained basis, it will be able to meet the goals of the new Medium-term Management Plan. TAIYO YUDEN management and employees believe in the Company's management philosophy and we are united in our dedication to meet these objectives.

We look forward to the rebirth of TAIYO YUDEN, and a very prosperous future.

Chairman and Representative Director 
President and Representative Director 